

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document comprises (i) a prospectus relating to the New Ordinary Shares prepared in accordance with the Prospectus Rules of the UK Listing Authority made under section 73A of FSMA and (ii) a circular prepared in compliance with the Listing Rules of the UK Listing Authority. This document has been approved by the Financial Conduct Authority in accordance with section 85 of FSMA and made available to the public in accordance with Rule 3.2.1 of the Prospectus Rules.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares in certificated form before the Ex-entitlement Date please send this document, together with any Application Form, if received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that this document and the Application Form should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so may constitute a violation of local securities laws or regulations, including, but not limited to, the Excluded Territories. If you sell or have sold or otherwise transferred all or some of your Existing Ordinary Shares held in uncertificated form before the Ex-entitlement Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares held in certificated form before the Ex-entitlement Date, you should refer to the instruction regarding split applications in Part 2 (*Terms and Conditions of the Capital Raising*) of this document.

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. This document has been prepared to comply with requirements of English law, the Listing Rules, the Prospectus Rules and the Rules of the London Stock Exchange and information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside England. In particular, subject to certain exceptions, this document and the Application Form should not be distributed, forwarded to or transmitted into the United States or into any other Excluded Territory.

The Existing Ordinary Shares have been admitted to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the main market for listed securities of the London Stock Exchange (together 'Admission'). It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange at or shortly after 8.00 a.m. (London time) on 19 February 2014.



(Incorporated and Registered in England and Wales with registered number 421479)

**PROPOSED FIRM PLACING AND PLACING AND OPEN OFFER OF 45,879,174 NEW
ORDINARY SHARES AT 189 PENCE PER NEW ORDINARY SHARE**

NOTICE OF GENERAL MEETING



Oriol Securities Limited

Sponsor and Bookrunner

Your attention is drawn to the letter from the Chairman of McKay Securities plc ("McKay") which is set out in Part 1 (*Letter from the Chairman of McKay*) of this document. You should read the whole of this document, any accompanying document and any documents incorporated into this document by reference. Shareholders and any other person contemplating a purchase of New Ordinary Shares should review in particular the risk factors set out in the part of this document entitled "Risk Factors" for a discussion of certain risks and uncertainties and other factors that should be taken into account by Shareholders when considering what action to take in relation to the Open Offer and by others in deciding whether or not to purchase New Ordinary Shares.

A notice convening the General Meeting to be held at 10.00 a.m. on 14 February 2014 at The Royal Thames Yacht Club, 60 Knightsbridge, London, SW1X 7LF is set out at the back of this document. A Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you plan to attend the General Meeting in person, you are asked to complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed on it so as to be received by Equiniti, as soon as possible, and in any event, by no later than 10.00 a.m. on 12 February 2014. You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number (SRN) on the Form of Proxy. CREST Shareholders may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti (CREST participant ID RA19). Electronic proxy appointments must be received by no later than

10.00 a.m. on 12 February 2014. The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

The latest time and date for acceptance and payment in full for the New Ordinary Shares under the Open Offer is 11.00 a.m. (UK time) on 13 February 2014. The procedures for acceptance and payment are set out in Part 2 (*Terms and Conditions of the Capital Raising*) of this document and, for Qualifying Non-CREST Shareholders only, also in the Application Form. Qualifying CREST Shareholders (who will not receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements which is expected to be enabled for settlement on 30 January 2014.

Investors should only rely on the information contained in this document and contained in any documents incorporated into this document by reference. No person has been authorised to give any information or make any representations other than those contained in this document and any document incorporated by reference and, if given or made, such information or representation must not be relied upon as having been so authorised by McKay, the Board or Oriel. McKay will comply with its obligation to publish supplementary prospectuses containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

Oriel, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for McKay and no-one else in connection with the Capital Raising and will not regard any other person (whether or not a recipient of this document) as clients of Oriel in relation to the Capital Raising and will not be responsible for providing the protections afforded to Oriel clients nor for giving advice in relation to the Capital Raising, or any arrangement referred to, or information contained in, this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Oriel under FSMA or the regulatory regime established thereunder, Oriel accepts no responsibility whatsoever and makes no representation or warranty, express or implied, concerning the contents of this document including its accuracy, completeness or verification or concerning any other statement made or purported to be made by Oriel, or on its behalf in connection with the Company, the New Ordinary Shares, the Capital Raising or Admission and nothing in this document is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Oriel accordingly disclaims all and any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) which it might otherwise have in respect of this document.

Subject to FSMA, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of McKay since the date of this document or that the information in this document is correct as at any time after this date. Without limitation, the contents of the Group's website do not form part of this document.

NOTICE TO US INVESTORS

This document, including the Application Form, does not constitute an offer of New Ordinary Shares to any person with a registered address in, or who is resident in, the United States. The New Ordinary Shares have not been and will not be registered under the Securities Act, or with any regulatory authority or under the applicable securities laws of any state or other jurisdiction of the United States, or the relevant laws of any state, province or territory of any other Excluded Territory and the New Ordinary Shares may not be offered, sold, pledged, or otherwise transferred directly or indirectly, within the United States (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities law. This document does not constitute an offer to sell or a solicitation of an offer to buy New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. Neither this document nor the Application Form will be distributed in or into the United States. There will be no public offering of securities in the United States.

NOTICE TO OVERSEAS SHAREHOLDERS

EXCEPT AS OTHERWISE SET OUT HEREIN, THE FIRM PLACING AND PLACING AND OPEN OFFER DESCRIBED IN THIS DOCUMENT IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN ANY EXCLUDED TERRITORIES. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

For a description of the restrictions on offers, sales and transfers of the New Ordinary Shares and the distribution of this document, see Part 2 (*Terms and Conditions of the Capital Raising*) of this document.

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual or other legal obligation to forward this document or any Application Form, if and when received, or other document to a jurisdiction outside the UK, should read section 9 of Part 2 (*Terms and Conditions of the Capital Raising*) of this document.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information for any purposes other than in considering an investment in McKay or the acquisition of New Ordinary Shares is prohibited, except to the extent such information is otherwise publicly available. By accepting delivery of, or accessing, this document, each offeree of the New Ordinary Shares agrees to the foregoing.

The contents of this document or any subsequent communication from McKay or Oriel or any of their respective affiliates, officers, directors, employees or agents are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Capitalised terms have the meanings ascribed to them in the 'Definitions' section of this document.

Certain information in relation to McKay is incorporated by reference into this document. You should refer to Appendix I (*Documents Incorporated by Reference*).

The date of this document is 29 January 2014

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WHERE TO FIND HELP

Part 3 (*Questions and Answers on the Capital Raising*) of this document answers some of the questions most often asked by shareholders about placings and open offers. If you have any further questions, please telephone the Shareholder Helpline on the numbers set out below. This helpline is provided by Equiniti and is available from 8.30 a.m. to 5.30 p.m. Monday to Friday and will remain open until 21 March 2014.

Shareholder Helpline telephone numbers:

0871 384 2988 (from inside the UK) or +44 (0)121 415 0088 (from outside the UK)

Please note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in this document and information relating to McKay's register of members and will be unable to give advice on the merits of the Capital Raising or to provide financial, tax or investment advice.

ACTION TO BE TAKEN

In respect of the General Meeting

Existing Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you plan to attend the General Meeting in person, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's Registrar, Equiniti as soon as possible and, in any event, by no later than **10.00 a.m. on 12 February 2014**. You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference (SRN) printed on the Form of Proxy. CREST Shareholders may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti (CREST participant ID RA19). Electronic proxy appointments must also be received by no later than **10.00 a.m. on 12 February 2014**. The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so.

In respect of the Open Offer

If you are a Qualifying Non-CREST Shareholder and you wish to take up your Open Offer Entitlements in whole or in part, you should complete and return the enclosed Application Form, together with your remittance for the full amount of the subscription monies for the New Ordinary Shares being taken up in accordance with the instructions printed thereon and set out in Part 2 (*Terms and Conditions of the Capital Raising*) of this document, by post or by hand, to Equiniti, so as to arrive by no later than **11.00 a.m. on 13 February 2014** being the latest time for acceptance and payment in full.

If you are a Qualifying CREST Shareholder, no Application Form is enclosed and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your maximum entitlement under the Open Offer.

The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The latest time for applications under the Open Offer to be received is **11.00 a.m. on 13 February 2014**.

Full details of the terms and conditions of the Open Offer and the procedure for application and payment are contained in Part 2 (*Terms and Conditions of the Open Offer*) of this document. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under FSMA if you are in the United Kingdom or, if you are not, from another appropriately authorised independent financial adviser.

SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introductions and warnings		
Element	Disclosure Requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to this document. Any decision to invest in the New Ordinary Shares should be based on consideration of this document as a whole. Where a claim relating to the information contained in this document is brought before a court, the claimant investor might, under the national legislation of the member states of the EEA, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.
A.2	Resale or final placement of securities through financial intermediaries	Not applicable; the Company has not given consent to the use of this document for subsequent resale or final placement of Ordinary Shares by financial intermediaries.

Section B – Issuer		
Element	Disclosure Requirement	Disclosure
B.1	Legal and commercial name	McKay Securities plc.
B.2	Domicile/legal form/ legislation under which the issuer operates/ country of incorporation	The Company is incorporated in England as a public limited company, limited by shares. Its registered office is situated in England and its registered number is 421479. The principal legislation under which the Company operates is the Companies Act 2006.
B.3	Current operations/ principal activities/ principal markets	The Company is a commercial property investment company with REIT status. The principal activity of the Company is the generation of rental income and capital growth from investments in commercial properties, predominantly within the office and industrial sectors. The Company’s core areas of expertise are the South East of England and London markets. The main areas of business undertaken by the Company are active property management, refurbishment and development.

B.4a	Most significant recent trends affecting the Company and its industry	<p>Recent improvement in reported economic data has had a positive impact on market sentiment and helped the spread of confidence from London to the South East office and industrial markets where the Group principally operates. For the first time since the financial crisis in 2008, rental values across the South East office market generally have ceased declining. It is anticipated that rental values in this market are now set to rise, due to improving tenant demand and competition for an increasingly limited supply of good quality buildings. Investors have recognised this potential for rental growth outside of London, and capital values have started to improve as a result of the increase in demand. Lettings across these markets for 2013 look set to be the highest since 2007 and nearly double the 2012 level of 1.4 million sq ft.</p> <p>On the supply side, limited development finance, planning constraints and uncertain viability in recent years have all contributed to limited development activity across the Group's markets generally. This is particularly the case in the South East office markets where the supply of Grade A floor space has reduced by 20 per cent. to 6.1 million sq ft over the three year period to September 2013, and the supply of new floor space has reduced by 30 per cent. to 2.5 million sq ft. The vacancy rate for new floor space has reduced to 2.9 per cent. from 4.2 per cent. in September 2010 and in a number of centres in the South East market there is now very limited new stock available.</p> <p>There is also an estimated 16.8 million sq ft of lease breaks and expiries over the next 3 years, as a result of longer leases on older buildings coming to an end. Within the South East office segment of the IPD (monthly) Index, 58 per cent. of all buildings were constructed prior to 1995, and it is therefore anticipated that obsolescence will be a major contributor to future demand. The Board anticipates that the failure of services in aging buildings, coupled with the increased importance to tenants of sustainability and other environmental impacts, are likely to drive demand for new and refurbished properties.</p> <p>It is expected that these factors will limit occupier choice at a time of improving market confidence, and the Board anticipates that tenants will want to upgrade their properties at lease break or expiry. This combination of factors is already generating a recovery in rental values.</p> <p>The Group is well placed to benefit from this expected bottleneck in supply because its existing portfolio of buildings is of good quality, and void properties are positioned to meet the structural and environmental standards being sought by prospective occupiers. Current and near-term portfolio projects will also deliver further high quality office product, which the Board anticipates will enable the Group to benefit from supply constraints and heightened demand.</p>
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B.5	Group structure	<p>McKay is the parent company of the McKay Group. The Group has the following wholly owned subsidiaries:</p> <ul style="list-style-type: none"> • Acreway Limited (England and Wales); • Baldwin House Limited (England and Wales); and • Celina Holdings Limited (Gibraltar). <p>The principal activity of each of the subsidiaries is property investment and development.</p>												
B.6	Notifiable interests	<p>As at 28 January 2014 (being the latest practicable date prior to the publication of this document), the Company had been notified in accordance with DTR 5 of the Disclosure and Transparency Rules of the following interests in its Ordinary Shares:</p> <table data-bbox="638 604 1388 896" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><i>Shareholder</i></th> <th style="text-align: right;"><i>Number of Shares</i></th> <th style="text-align: right;"><i>Percentage interest of issued share capital</i></th> </tr> </thead> <tbody> <tr> <td>Norton Securities Limited</td> <td style="text-align: right;">2,712,552</td> <td style="text-align: right;">5.91</td> </tr> <tr> <td>Rimpton Securities Limited</td> <td style="text-align: right;">2,712,551</td> <td style="text-align: right;">5.91</td> </tr> <tr> <td>Mr Iain Alastair McKay</td> <td style="text-align: right;">1,466,330</td> <td style="text-align: right;">3.20</td> </tr> </tbody> </table> <p>Save as disclosed in this section, the Company is not aware of any person who, as at 28 January 2014 (being the latest practicable date prior to the publication of this document), directly or indirectly, has a holding which is notifiable under English law.</p>	<i>Shareholder</i>	<i>Number of Shares</i>	<i>Percentage interest of issued share capital</i>	Norton Securities Limited	2,712,552	5.91	Rimpton Securities Limited	2,712,551	5.91	Mr Iain Alastair McKay	1,466,330	3.20
<i>Shareholder</i>	<i>Number of Shares</i>	<i>Percentage interest of issued share capital</i>												
Norton Securities Limited	2,712,552	5.91												
Rimpton Securities Limited	2,712,551	5.91												
Mr Iain Alastair McKay	1,466,330	3.20												
	Different voting rights/controlling interests	<p>Not applicable; none of the Company's major shareholders had different voting rights.</p> <p>Save as noted below in respect of the Concert Party, the Company and its Directors are not aware of any persons who, as at 28 January 2014 (being the latest practicable date prior to the publication of this document), directly or indirectly, jointly or severally, exercise or could exercise control over the Company nor is it aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.</p> <p>The Concert Party are presumed to be acting in concert for the purposes of Rule 9 of the Takeover Code, and as at 28 January 2014 (being the latest practicable date prior to the publication of this document) together held 17,825,658 Ordinary Shares, representing 38.85 per cent. of the Company's existing issued share capital.</p> <p>Certain members of the Concert Party have irrevocably undertaken not to take up their Open Offer Entitlements in respect of 12,093,384 Existing Ordinary Shares, representing approximately 26 per cent. of the Company's existing issued share capital. This has allowed the Company to firm place the New Ordinary Shares representing those Open Offer Entitlements with certain institutional investors under the Firm Placing. As a result of having given the irrevocable undertakings, the effect of the Capital Raising should be to dilute the Concert Party's interests as a percentage of the Enlarged Share Capital.</p>												

B.7	Historical key financial information for the Company and significant change	<p>Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three financial years ended 31 March 2011, 31 March 2012 and 31 March 2013, and for the six month periods ended 30 September 2012 and 30 September 2013, is set out in the following tables:</p> <p>Income statement data:</p> <table border="1"> <thead> <tr> <th rowspan="3"></th> <th colspan="2"><i>6 months ended 30 September (Unaudited)</i></th> <th colspan="3"><i>Year ended 31 March</i></th> </tr> <tr> <th><i>2013</i></th> <th><i>2012</i></th> <th><i>2013</i></th> <th><i>2012</i></th> <th><i>2011</i></th> </tr> <tr> <th><i>£'000</i></th> <th><i>£'000</i></th> <th><i>£'000</i></th> <th><i>£'000</i></th> <th><i>£'000</i></th> </tr> </thead> <tbody> <tr> <td>Gross rents and service charges receivable</td> <td>8,160</td> <td>10,272</td> <td>20,053</td> <td>20,665</td> <td>19,054</td> </tr> <tr> <td>Surrender premiums received</td> <td>0</td> <td>0</td> <td>0</td> <td>223</td> <td>582</td> </tr> <tr> <td>Direct property outgoings</td> <td>(1,861)</td> <td>(3,041)</td> <td>(5,680)</td> <td>(6,899)</td> <td>(4,893)</td> </tr> <tr> <td>Net rental income from investment properties</td> <td>6,299</td> <td>7,231</td> <td>14,373</td> <td>13,989</td> <td>14,743</td> </tr> <tr> <td>Administration costs</td> <td>(1,640)</td> <td>(1,638)</td> <td>(3,463)</td> <td>(3,502)</td> <td>(3,470)</td> </tr> <tr> <td>Operating profit before gains on investment properties</td> <td>4,659</td> <td>5,593</td> <td>10,910</td> <td>10,487</td> <td>11,273</td> </tr> <tr> <td>Profit on disposal of investment properties</td> <td>(124)</td> <td>0</td> <td>1,101</td> <td>0</td> <td>11</td> </tr> <tr> <td>Profit on disposal of listed investments</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>31</td> </tr> <tr> <td>Revaluation of investment properties</td> <td>8,155</td> <td>2,028</td> <td>3,410</td> <td>233</td> <td>271</td> </tr> <tr> <td>Operating profit</td> <td>12,690</td> <td>7,621</td> <td>15,421</td> <td>10,720</td> <td>11,586</td> </tr> <tr> <td>Finance cost</td> <td>10,099</td> <td>(10,423)</td> <td>(11,859)</td> <td>(22,401)</td> <td>(6,668)</td> </tr> <tr> <td>Finance income</td> <td>4</td> <td>5</td> <td>12</td> <td>16</td> <td>20</td> </tr> <tr> <td>Share of (loss)/profit of associated undertaking</td> <td>0</td> <td>95</td> <td>(1,829)</td> <td>105</td> <td>(441)</td> </tr> <tr> <td>Profit/(loss) before taxation</td> <td>22,793</td> <td>(2,702)</td> <td>1,745</td> <td>(11,560)</td> <td>4,497</td> </tr> <tr> <td>Taxation</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Profit/(loss) for the year</td> <td><u>22,793</u></td> <td><u>(2,702)</u></td> <td><u>1,745</u></td> <td><u>(11,560)</u></td> <td><u>4,497</u></td> </tr> </tbody> </table> <p>Adjusted profit before tax:</p> <table border="1"> <thead> <tr> <th 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outgoings	(1,861)	(3,041)	(5,680)	(6,899)	(4,893)	Net rental income from investment properties	6,299	7,231	14,373	13,989	14,743	Administration costs	(1,640)	(1,638)	(3,463)	(3,502)	(3,470)	Operating profit before gains on investment properties	4,659	5,593	10,910	10,487	11,273	Profit on disposal of investment properties	(124)	0	1,101	0	11	Profit on disposal of listed investments	0	0	0	0	31	Revaluation of investment properties	8,155	2,028	3,410	233	271	Operating profit	12,690	7,621	15,421	10,720	11,586	Finance cost	10,099	(10,423)	(11,859)	(22,401)	(6,668)	Finance income	4	5	12	16	20	Share of (loss)/profit of associated undertaking	0	95	(1,829)	105	(441)	Profit/(loss) before taxation	22,793	(2,702)	1,745	(11,560)	4,497	Taxation	0	0	0	0	0	Profit/(loss) for the year	<u>22,793</u>	<u>(2,702)</u>	<u>1,745</u>	<u>(11,560)</u>	<u>4,497</u>		<i>6 months ended 30 September (Unaudited)</i>		<i>Year ended 31 March</i>			<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	Profit/(loss) before tax	22,793	(2,702)	1,745	(11,560)	4,497	Surrender premiums received	–	–	–	(223)	(582)	Change in fair value of derivatives	(13,098)	7,692	6,216	16,891	(5,053)	Movement in revaluation of investment properties	(8,155)	(2,028)	(3,410)	(233)	(271)	Fees incurred on the cancellation of derivative contracts	–	–	–	–	5,928	(Profit)/loss on disposal of investment properties	124	–	(1,101)	–	(11)	Profit on disposal of listed investments	–	–	–	–	(31)	Associated undertaking disposal and revaluation movement	2	(22)	1,968	128	625	Adjusted profit before tax	<u>1,666</u>	<u>2,940</u>	<u>5,418</u>	<u>5,003</u>	<u>5,102</u>
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Balance sheet analysis:

	<i>6 months ended</i>		<i>Year ended 31 March</i>		
	<i>30 September</i>				
	<i>(Unaudited)</i>				
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment properties	224,345	221,565	211,768	213,227	207,430
Plant and equipment	20	31	24	22	13
Investment in associates	0	1,969	0	1,874	1,814
Cash and cash equivalents	3,827	3,481	2,893	2,584	2,519
Borrowings	(100,234)	(107,672)	(94,209)	(100,124)	(97,313)
Derivative financial liabilities	(27,488)	(42,063)	(40,587)	(34,371)	(17,479)
Finance lease liabilities	(4,407)	(4,408)	(4,408)	(4,408)	(4,409)
Pension fund liabilities	(2,178)	(1,820)	(2,219)	(1,840)	(1,090)
Other assets and liabilities (net)	(1,688)	(2,156)	(1,329)	(2,804)	(1,314)
Net assets	92,197	68,927	71,933	74,160	90,171
Net asset value per share (p)	201	150	157	162	197
EPRA net asset value per share (p)	237	231	238	229	223

In the financial years ending 31 March 2011, 2012 and 2013, the Group's revenue (which is derived principally from property rental income) increased, primarily due to an increase in the number of investment properties from 31 to 33 and portfolio lettings.

The net rental income from the Group's investment properties in the 2011, 2012 and 2013 financial years was £14.74 million, £13.99 million and £14.37 million respectively. For the six month period ended 30 September 2013, the net rental income was £6.30 million, compared with £7.23 million in the comparable period in 2012. This reduction was primarily due to the disposal of 100 Bothwell Street, Glasgow in January 2013.

Profit/(loss) before taxation fluctuated from a profit of £4.50 million in the 2011 financial year, to an £11.56 million loss in the 2012 financial year, rising to a £1.75 million profit for the 2013 financial year. This movement was due to the IFRS requirement to include fair value adjustments. For the six month period ended 30 September 2013, profit before tax was £22.79 million, compared to a loss of £2.70 million in the comparable period in 2012. The profit before taxation for the six month period ended 30 September 2013 included unrealised gains of £8.49 million in the value of the Group's property portfolio and of £13.10 million in the value of the Group's interest rate hedging instruments.

Save for the freehold acquisition of 1 Crown Square, Woking in January 2014 for £6.00 million, there has been no significant change to the Company's financial condition and operating results since 30 September 2013, being the date to which the Company's latest consolidated interim financial information was prepared.

B.8	Key pro forma financial information	<p>As at 30 September 2013, the Group had gross assets of £234.5 million and net assets of £92.2 million. Assuming the net proceeds from the Capital Raising were received on that date, the gross and net assets would have increased by £82.2 million to £316.7 million and £174.4 million respectively. This unaudited pro forma financial information addresses a hypothetical situation and should not be construed as indicative of trading performance since 30 September 2013 or its future financial position or results.</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;"><i>Unadjusted Group at 30 September 2013 Note 1 £'000</i></th> <th style="text-align: right;"><i>Adjustments Capital Raising proceeds Note 2 £'000</i></th> <th style="text-align: right;"><i>Transaction costs Note 3 £'000</i></th> <th style="text-align: right;"><i>Pro forma statement of the Group's net assets £'000</i></th> </tr> </thead> <tbody> <tr> <td>Non-current assets</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Investment properties</td> <td style="text-align: right;">224,345</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">224,345</td> </tr> <tr> <td>Plant and equipment</td> <td style="text-align: right;">20</td> 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Net assets	<u>92,197</u>	<u>86,712</u>	<u>(4,552)</u>	<u>174,357</u>																																																																																																																	
B.9	Profit forecast and estimate	Not applicable; the Company has not made a profit forecast or estimate.																																																																																																																			
B.10	Qualifications in the audit reports	Not applicable; the audit reports on the historical financial information contained in, or incorporated by reference into, this document are not qualified.																																																																																																																			
B.11	Working capital explanation	Not applicable; the Company is of the opinion that, after taking into account existing available facilities to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this document.																																																																																																																			

Section C – Securities

Element	Disclosure Requirement	Disclosure
C.1	Type and the class of the securities	<p>The Company will issue 45,879,174 Ordinary Shares pursuant to the Capital Raising.</p> <p>The ISIN the New Ordinary Shares will trade under is GB0005522007.</p>

C.2	Currency of the issue	The Existing Ordinary Shares are priced in Pounds Sterling, and the New Ordinary Shares will be quoted and traded in Pounds Sterling.
C.3	Shares issued/value per share	As at 28 January 2014 the Company had in issue 45,879,174 fully paid Ordinary Shares of 20 pence each.
C.4	Description of rights attaching to the securities	<p>The New Ordinary Shares will be issued credited as fully paid and will rank <i>pari passu</i> in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the date of the allotment and issue of the New Ordinary Shares.</p> <p>Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares (for example, in the case of joint holders of a share, the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share), Shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company. Subject to the provisions of the Companies Act, McKay may from time to time declare dividends and make other distributions on the Ordinary Shares. Shareholders are entitled to participate in the assets of the Company attributable to their shares in a winding-up of the Company or other return of capital, but they have no rights of redemption.</p>
C.5	Restrictions on free transferability of the securities	Not applicable; there are no restrictions on the free transferability of the Ordinary Shares.
C.6	Admission/regulation markets where the securities are traded	Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected Admission will become effective, and that dealings in the New Ordinary Shares will commence at or shortly after 8.00 a.m. on 19 February 2014.
C.7	Dividend policy	For the year ended 31 March 2013 the Company paid a final dividend of 5.8p per share (31 March 2012: 5.7p). For the six month period ended 30 September 2013, the Board has paid an interim dividend of 2.7p per share.

Section D – Risks		
Element	Disclosure Requirement	Disclosure
D.1	Key information on the key risks that are specific to the Company or industry	<ul style="list-style-type: none"> The current low interest rate environment has given rise to a negative mark to market valuation of the interest rate swaps used by the Group to mitigate its exposure to interest rate risk. If the Group re-structures those instruments, there is a risk that any prevailing negative mark to market position may need to be either settled in cash or rolled into a new instrument which could adversely affect the Group's cash-flow position and net asset value; Unfavourable credit market conditions could inhibit the Group's ability to rollover or re-finance its existing facilities on acceptable terms;

		<ul style="list-style-type: none"> • As at 30 September 2013, the Group's LTV was 44.5 per cent. and the gearing ratio of borrowings to shareholders funds was 85 per cent. The use of borrowings to generate leverage may have a negative impact on shareholders if the value of the Group's underlying assets were to fall, by resulting in a decrease in NAV and an increase in LTV; • A significant reduction in the value of the Group's investment properties could result in breach of the financial covenants in the Group's banking facilities; • The Group cannot guarantee continued compliance with all of the UK REIT conditions and there is a risk that the UK REIT regime may cease to apply in some circumstances; • The composition of the Company's shareholder base may mean that the Group does not meet the UK REIT close company condition; • The Group may be exposed to risks in relation to its refurbishment and development projects if, for example, the Group is unable to secure a let or re-let of a refurbished property at a rental level that is sufficient to cover the cost of refurbishment or is unable to pre-let a property prior to incurring development costs; • The value of the property portfolio and the rental income it produces may fluctuate as a result of factors outside the Company's control. A reduction in the value of one property in the Group's portfolio as a result of these or other factors may have a disproportionate impact on the financial condition of the Group compared to a group with a larger portfolio; and • All of the Group's properties are located in the South East of England and London. A downturn in those markets may disproportionately impact the Group's financial condition as compared with a group with a portfolio that is spread over a broader geographical area.
D.3	Key information on the key risks that are specific to the securities	<p>Key information on the key risks specific to the New Ordinary Shares are:</p> <ul style="list-style-type: none"> • The market price of the New Ordinary Shares and/or the Existing Ordinary Shares may be subject to significant fluctuations due to a change in sentiment in the market regarding the New Ordinary Shares and/or the Existing Ordinary Shares (or similar securities). Prospective investors should be aware that the value of their investment may go down as well as up, and may fall below the Offer Price; • Assuming that 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising, Existing Shareholders who do not take up any of their Open Offer Entitlements or are not able to participate in the Capital Raising will experience dilution of 50 per cent. in their ownership of the Company as a result of the Capital Raising; and

		<ul style="list-style-type: none"> Due to the Company's REIT status, investors acquiring 10 per cent. or more of the Company's share capital may not be able to receive dividends and may be required to dispose of shares.
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Section E – Offer		
Element	Disclosure Requirement	Disclosure
E.1	Total net proceeds and costs of the issue	<p>The Company is proposing to raise net proceeds of approximately £82.2 million (after the deduction of estimated expenses of approximately £4.6 million) pursuant to the Capital Raising.</p> <p>No expenses will be charged by the Company to Shareholders who acquire New Ordinary Shares.</p>
E.2a	Reasons for the offer/use of proceeds	<p>The Board believes that a capital raising should now be undertaken in order to provide additional financial resources for the Group to pursue its strategy and benefit from the positive trends in the South East and London markets.</p> <p>The Board is of the opinion that the Capital Raising will accelerate the overall delivery of returns from the Group's current portfolio projects as well as enabling the Group to undertake the near-term projects currently under review, which would add further potential for the creation of future income and capital gains.</p> <p>Assuming that 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising, to raise gross proceeds of approximately £86.7 million, it is anticipated that approximately £45 million will be used to fund current portfolio projects and refurbishment and redevelopment opportunities (made up of £10 million for the current portfolio projects and £35 million for the Redhill and Lombard Street projects).</p> <p>The remainder of the net proceeds may be used by the Group to, where appropriate and in line with its strategy, fund property acquisitions, to strengthen the Group's financial position and for the general corporate purposes of the Group.</p> <p>Use of the proceeds from the Capital Raising for these purposes will increase the size of the portfolio, bringing with it inherent diversification advantages. The Board further anticipates that it will enable the Group to benefit from economies of scale, enhance the Group's earnings and support its progressive dividend policy.</p> <p>Further, by increasing the market capitalisation of the Company, the Board considers that the Capital Raising will make the Group a more attractive investment prospect going forward, and promote increased liquidity in the Company's shares.</p> <p>The Capital Rasing will also reduce the Group's gearing ratio, which will in turn increase the available headroom under the Group's financial covenants. As a result, the Group will be able to access the favourable terms provided by the Group's existing bank facilities. The additional availability of funds under these facilities will further support the Group's strategy of strengthening the scale and quality of the Group's portfolio.</p>

		<p>Until the net proceeds are utilised as set out above, they will be applied to reduce the amount drawn on the Group's four banking facilities (which can be redrawn).</p>
E.3	Terms and conditions of the offer	<p>The Company is proposing to raise gross proceeds of approximately £86.7 million (approximately £82.2 million net of expenses) by way of a Firm Placing and Placing and Open Offer of 45,879,174 New Ordinary Shares at an Offer Price of 189 pence per New Ordinary Share.</p> <p>The Offer Price represents a discount of 1.0 per cent. to the Closing Price of 191 pence on 28 January 2014, being the last Business Day prior to the announcement of the Capital Raising.</p> <p>The Open Offer is an opportunity for Qualifying Shareholders to apply for Open Offer Shares <i>pro rata</i> to their Existing Holdings at the Offer Price on the basis of 1 Open Offer Share for every 1 Existing Ordinary Share held by them at the Record Date.</p> <p>The latest time and date for receipt of completed Application Forms and payment in full or the settlement of the relevant CREST instruction (as applicable) will be 11.00 a.m. on 13 February 2014.</p> <p>Under the Firm Placing 14,131,241 New Ordinary Shares, representing the Open Offer Entitlements of the Family Shareholders who have irrevocably undertaken not to take up any of their Open Offer Entitlements, have been placed firm with certain institutional investors at the Offer Price, to raise gross proceeds of approximately £26.7 million. The Firm Placed Shares are not subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer.</p> <p>The remaining 31,747,933 Open Offer Shares have been conditionally placed with institutional and other new investors at the Offer Price, subject to clawback to satisfy valid acceptances under the Open Offer.</p> <p>None of the elements of the Capital Raising are being underwritten.</p> <p>The Capital Raising is conditional upon the following:</p> <p>(A) the Resolutions having been passed by Shareholders at the General Meeting;</p> <p>(B) the Placing Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and</p> <p>(C) Admission having become effective by not later than 8.00 a.m. on 19 February 2014 (or such later time and/or date as the Bookrunner and the Company may agree, not being later than 28 February 2014).</p> <p>Accordingly, if any of the conditions is not satisfied or, if applicable, waived, the Capital Raising will not proceed.</p>

		The Company has received irrevocable undertakings from the Family Shareholders to vote in favour of the Resolutions in respect of, in aggregate, approximately 31 per cent. of the Company's existing issued share capital.
E.4	Interests that are material to the issue/conflicting interests	Not applicable; there are no interests, known to the Company, material to the issue of New Ordinary Shares or which are conflicting interests.
E.5	Name of the offeror/lock-up arrangements	McKay Securities plc – not applicable; there are no lock up agreements in relation to the Capital Raising.
E.6	Dilution	<p>Assuming that 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising, if a Qualifying Shareholder does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 50 per cent. as a result of the issue of the New Ordinary Shares.</p> <p>However, if a Qualifying Shareholder takes up his Open Offer Entitlement in full, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will not be diluted.</p>
E.7	Estimated expenses charged to the investor	Not applicable; no expenses will be directly charged to the investor by the Company.

RISK FACTORS

Any investment in McKay or in the New Ordinary Shares carries a number of risks. Prospective investors should review this prospectus carefully and in its entirety (together with any documents incorporated by reference into it) and consult with their professional advisers before acquiring any New Ordinary Shares. You should carefully consider the risks and uncertainties described below, together with all other information in this document and the information incorporated into this document by reference, before making any investment decision. Prospective investors should note that the risks relating to McKay, its industry and the New Ordinary Shares summarised in the section of this document headed 'Summary' are the risks that the Directors believe to be most essential to an assessment by a prospective investor of whether to consider an investment in such securities.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Ordinary Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, results of operations and financial position and, if any such risk should occur, the price of such securities may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the New Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.

The information given is as of the date of this document and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Rules or any other applicable law, will not be updated. Any forward looking statements are made subject to the reservations specified under 'Forward Looking Statements' on page 24 of this document.

1. RISKS RELATING TO INVESTING IN PROPERTY

The value of the Group's property portfolio and the rental income it produces may fluctuate as a result of external factors outside the Group's control

Rental returns from an investment in property depend largely upon the amount of rental income generated by the property and the costs and expenses incurred in the management of the property, as well as changes in its market value.

The rental income and market value of properties in the UK are generally affected by overall conditions in the economy, political factors and one-off events, such as the condition of the financial markets, the availability of finance to business and consumers, changes in government legislation, changes in regulatory or tax regimes and increases in unemployment. Together or in isolation, these external factors may adversely impact the level of demand for property by tenants, the ability of landlords to increase rents and the level of bad debts incurred as a result of tenant default, which in turn may adversely affect the value of, and the rental income generated by, the Group's property portfolio.

The commercial property market in which the Group operates is also affected by a number of other factors which may significantly impact the value of commercial property investments. In particular, commercial property values are dependent on current rental values and occupancy rates, prospective rental growth, lease lengths, tenant creditworthiness and solvency and investment yields, together with the nature, location and physical condition of the individual property concerned.

The Group has a relatively small portfolio of properties by comparison to larger listed property companies. As a result, a reduction in the value of one property or the rental income it produces as a result of the factors noted above, or other factors, may have a disproportionately significant impact on the value of the Group's portfolio as a whole and/or the Group's performance and financial condition, when compared to a group with a larger property portfolio. The geographical concentration of the Group's properties also means that a change in market conditions in the South East of England and London may have a disproportionate impact on the Group, as detailed in the risk factor below.

Geographical concentration of properties in the South East of England and London

Commercial property values and rental revenues are affected by factors specific to each local market in which the property is located, including the supply of available space, demand for office or industrial space, competition from other available space, changes to local transport infrastructure and demographics and market sentiment. These factors can result in rapid and substantial increases and decreases in property valuations and rental revenues. For example, such factors may impact rental levels in that they affect rent review negotiations and/or the ability to identify suitable tenants and/or the ability to re-let property following the termination or expiry of a lease.

All of the Group's properties are located in the South East of England and London. Whilst the Board believes that the current market conditions in the South East of England and London are favourable and demonstrate prospects for future growth, any downturn in those markets, as a result of the factors noted above, or other factors, may disproportionately impact the Group's performance and financial condition as compared with a group with a portfolio of assets that is spread over a broader geographical area.

Tenant default

The Group derives a significant proportion of its revenue from rental income. A downturn in business, bankruptcy or insolvency could force an office or industrial tenant to default on its rental obligations and/or vacate the premises. Such a default could result in significant loss of rental income and void costs. This could have a material adverse effect on the Group's business, financial condition, results of operations or future prospects.

Investment liquidity

Investments in real estate are relatively illiquid and are typically more difficult, and/or take longer to realise than certain other investments. This illiquidity may affect the Group's ability to dispose of or liquidate assets from its property portfolio expeditiously, on reasonable terms and/or at satisfactory prices if required to do so in response to changes in economic, commercial property market or other conditions or, for example, as a result of the exercise by tenants of their contractual break rights. This could have an adverse impact on the Group's financial condition and results of operations.

Acquisition of real estate assets

The Group intends to continue to acquire real estate assets. Acquisitions of real estate assets involve a number of risks inherent in assessing values, strengths, weaknesses and profitability of properties and, despite due diligence on assets prior to acquisition, risks associated with unanticipated problems and latent liabilities or contingencies such as environmental problems. Additional risks inherent in property acquisitions include risks that the acquired properties will not achieve anticipated rental rates or occupancy levels and/or that judgments with respect to improvements to increase the financial returns of acquired properties will prove inaccurate.

The Group's ability to generate its desired returns will depend on its ability to identify and acquire suitable properties

The Group's ability to implement its strategy and achieve its desired returns may be limited by its ability to identify and acquire suitable properties at satisfactory yields. In addition, the Group may face significant competition in identifying and acquiring suitable properties from other investors, including competitors who may have greater resources. Competition in the property market may lead to prices for the properties identified by the Group as suitable being driven up through competing bids. Accordingly, the existence and extent of such competition may have a material adverse effect on the Group's ability to acquire properties at satisfactory prices and otherwise on satisfactory terms, in accordance with its strategy. If increasing competition for properties leads to a reduction in the number or quality of investment opportunities available to the Group, or leads to a reduction in yield expectations, this could have a negative impact on the Group's ability to generate earnings.

Refurbishment and development of properties

The Group undertakes refurbishment and development of its investment properties in order to maintain and enhance the valuation and earning capability of its portfolio. The potential for the refurbishment and/or development of the Group's properties may be adversely affected by a number of factors including constraints on location, planning legislation and the need to obtain licences, consents and approvals and the existence of restrictive covenants affecting the title to the property. This may cause the revenues resulting from any refurbishment or improvement project to be lower than budgeted or cause the cost of such projects to be greater than budgeted, consequently impacting on the financial condition of the Group. There is also a risk that the Group may not secure a let or re-let for a newly refurbished or developed property at a rental level that is sufficient to cover the cost of the refurbishment or development, resulting in reduced profitability. The Group seeks to mitigate its exposure to development risk by ensuring that properties are pre-let before the Group engages contractors or advisors and/or incurs other development costs. However, in the event that the Group is unable to pre-let such properties, there is a risk that the Group may suffer a loss of revenue or capital expenditure that is not recoverable, which could have an adverse impact on the financial condition of the Group.

Property valuation is inherently uncertain

The valuation of property and property-related assets is inherently subjective due to, among other factors, the individual nature of each property, its location and expected future rental revenues. Moreover, property valuations are made on the basis of assumptions which may prove to be inaccurate.

The Property Valuation Report included at Part 8 of this Prospectus contains a number of assumptions upon which Mellersh & Harding LLP has based its valuation of the Group's properties as at 17 January 2014. The assumptions on which the Property Valuation Report has been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties and the structural condition of the properties. These assumptions are market standard and accord with the RICS Valuation Standards. However, if any of the assumptions made by the property valuer prove to be inaccurate, this may mean that the value of the Group's properties is less than that set out in the Property Valuation Report, which could have a material adverse effect on the Group's financial position. There is no assurance that the valuation of the Group's properties will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that estimated yield and annual rental income will prove to be attainable.

Furthermore, if the Group acquires properties based on inaccurate assumptions, the Group's net assets and results of operations may be materially adversely affected.

2. OTHER RISKS RELATING TO THE GROUP'S EXISTING BUSINESS

Group's debt level

Companies in the investment property and development sectors tend to employ financial leverage with the goal of maximising return to shareholders. As at 30 September 2013, the Group had £155.0 million of facilities, of which drawn debt totalled £100.5 million. The ratio of drawn debt to portfolio value ("LTV") was 44.5 per cent. and the gearing ratio of borrowings to shareholders' funds, adjusted in accordance with the Group's banking covenants, was 85.0 per cent. The Group expects to continue to leverage its property portfolio through the prudent use of its banking facilities, subject to the borrowing powers set out in the Articles and the REIT regulations, which effectively limit debt levels by specifying that operating profit for the Group must be greater than 1.25 times interest (and any other financing costs) for any financial year. Whilst the use of borrowings to generate leverage should benefit the holders of New Ordinary Shares when the value of the Group's underlying assets rises, if the value of the Group's underlying assets were to fall, this would lead to a reduction in the net asset value of the Group and an increase in LTV.

Compliance with financial covenants in bank borrowing

The Group in part funds its strategy of investment in, management and development of its property portfolio by way of four committed banking facilities. These facilities contain certain financial covenants, including the gearing ratio and LTV ratio, that would be adversely affected by loss of net rental income and reductions in value of properties. A significant reduction in net rental income or the value of the Group's investment properties could then result in a breach of the related financial covenants in the Group's banking facilities.

If the Group was to breach any of the financial covenants in the banking facilities or if any of the Group's bank lenders determines that there has been a material adverse change in the financial position or business of the Group, an event of default could be declared under the provisions of the Group's banking facilities. This could in turn result in the acceleration of the Group's obligations to repay those borrowings and to settle financial derivatives. In order to avoid or remedy such a default, the Group could be forced to sell investment properties in potentially unfavourable market conditions.

In addition, the Group has granted security over a significant proportion of its properties pursuant to its banking facilities. If the Group fails to make payments, fails to perform or comply with other covenants where such failure has or could reasonably be expected to have a material adverse effect on the Group's ability to meet a payment obligation, the lenders may enforce their security. Any such enforcement action could have a material adverse effect on the Group's business, financial condition, results of operations, reputation and/or future prospects.

Compliance with financial covenants is closely monitored by the Board as part of the Company's financial planning. The Group is currently in compliance with all of its financial covenants and retains significant headroom should there be an overall decline in the capital values of the Group's portfolio properties.

For further details about the Group's banking facilities see Part 5 (*Operating and Financial Review Relating to the Group*) and section 5.3 of Part 12 (*Additional Information*).

Interest rate risk

The Group has entered into variable rate facilities with its lending banks and uses derivative financial instruments, such as participating swaps and interest rate swaps to mitigate its exposure to interest rate risk.

The current low interest rate environment has given rise to a negative mark to market valuation of the interest rate swaps that is recognised as a reduction in net assets in the Group's consolidated financial statements, although this does not represent a cash liability. If the Group re-structures its financial instruments, any negative mark to market position in relation to the interest rate swaps at the time of the re-structuring may need to either be settled in cash or rolled into a new instrument. In the event that the Group is required to settle the position in cash, this may adversely impact the Group's cash-flow position, but would not have a net asset value impact. On the other hand, if the position were rolled into a new instrument, there may not be an immediate impact on the Group's cash-flow. Instead a reduction in net assets would be recognised over the life of the instrument in the Group's consolidated financial statements.

Under the terms of the interest rate swaps, whilst the notional amount hedged under the swaps remains at £105 million, any increases in underlying interest rates would not result in increased payments having to be made by the Group to the relevant bank. However, in the event that the amount drawn exceeds £105 million, an increase in the underlying interest rate would result in increased payments having to be made to the relevant bank. This may in turn reduce the profitability of the Group and its ability to pay dividends.

Provision is made within the terms of the interest rate swap arrangements for the swap counterparty to terminate the instruments by invoking credit breaks, and the Group has received notice that a counterparty bank will exercise credit breaks in 2016 and 2017 in respect of £30.0 million of the notional sum. To the extent that relevant members of the Group do not enter into participating swaps and/or interest rate swap arrangements, or if such arrangements are no longer available or are only available at increased costs at the point in time when the swap arrangements are broken, the Group may be exposed to interest rate risk.

Access to debt financing in the future will depend on suitable market conditions

The Group is dependent upon access to debt funding to maintain and grow its property portfolio. The Group's existing facilities are due for renewal on 28 February 2016, 28 July 2016, 31 March 2017 and 21 December 2017. Unfavourable credit market conditions prevailing at those times and at the point of subsequent renewals could inhibit the Group's ability to rollover or refinance its banking facilities or mean that the Group can only obtain new sources of finance at a higher cost or on more restrictive terms.

The Group operates a defined benefit pension scheme to which it may be required to increase its contributions to fund an increase in the cost of future benefits and/or funding shortfalls

The Group and the Company operates a defined benefit pension scheme, providing benefits for 6 members based on final pensionable salary. The scheme has been closed to new members since 1989. Updated valuations under IAS 19 for the scheme's assets and liabilities as at 31 March 2013 show a pension deficit of £2.22 million. The value of the deficit recognised in the Group's balance sheet pursuant to IAS 19 is dependent on the market value of the assets of the defined benefits pension scheme and certain critical assumptions in relation to the value of the liabilities of the defined benefits pension scheme including mortality rates, rate of return on investments and the rate of increase in salaries, and is likely to vary from year to year. If the basis of any of these assumptions, or other assumptions, changes in any given year, causing the value of the scheme's assets to decline in relation to its assessed liabilities, this would result in an increase in the deficit recognised in the Group's balance sheet and in turn a reduction in the Group's net asset value.

The Group currently makes an annual contribution to the pension scheme of £0.25 million, which includes part payment towards the deficit over an agreed 7 year recovery plan. The level of the Group's contribution will be reconsidered, in conjunction with the scheme advisors, at the next triennial valuation in 2014. An increase in the value of the deficit, may result in the Group being required to make increased contributions to the pension scheme which may in turn reduce the Group's profitability and restrict the Group's ability to pay dividends.

REIT status

The Group is currently in compliance with all of the conditions for REIT status and therefore does not pay UK tax on its qualifying tax exempt business. However, the Group cannot guarantee continued compliance with all of the UK REIT conditions and there is a risk that the UK REIT regime may cease to apply in some circumstances. HMRC may require the Group to exit the UK REIT regime if:

- (A) it regards a breach of the conditions or failure to satisfy the conditions relating to the tax exempt business, or an attempt to avoid tax, as sufficiently serious;
- (B) the Group has committed a certain number of minor or inadvertent breaches in a specified period; or
- (C) HMRC has given the Group at least two notices in relation to the avoidance of tax within a ten-year period.

In addition, if the condition for REIT status relating to the share capital of the Company or the prohibition on entering into loans with abnormal returns were breached, or the Company ceases to be UK resident or becomes dual resident or an open-ended investment company, the Group would automatically lose REIT status. The Group could lose its status as a REIT as a result of actions by third parties, for example, following a successful takeover by a company that is not a REIT or due to a breach of the close company condition (as further discussed in the immediately following section) if it were unable to remedy the breach within a specified time frame. Alternatively, the Group may voluntarily opt out of REIT status.

If the Group loses its REIT status, it will no longer be able to benefit from the provisions of the REIT regime, including the exemption from UK tax on the profits and gains arising from the Group's qualifying property rental business.

If the Group were to be required or opted to leave the REIT regime within ten years of joining, HMRC has wide powers to direct how it is to be taxed, including in relation to the date on which the Group is treated as

exiting the REIT regime. This could result in the tax burden of the Group increasing and the size of dividends paid by the Company being reduced.

Additionally, the Company, as the principal company of a REIT group, may become subject to an additional tax charge if it fails to take reasonable steps to avoid paying a dividend to a Substantial Shareholder (as defined in the Articles). In line with HMRC guidance, the Articles contain provisions designed to avoid the payment of such dividends. Part 12 (*Additional Information*) of this Prospectus contains further information on the Articles.

Changes to the REIT regime may require the Group to leave the REIT regime (voluntarily or otherwise). Such changes may, therefore, have adverse consequences for the financial position and prospects of the Group.

The close company condition under the UK REIT regime

The close company condition requires that the Company is not a “close company” as defined for the purposes of UK corporation tax legislation. If the Company becomes a close company through its own fault, or becomes a close company through the action of someone else and does not remedy the position within a specified period, it ceases to qualify as a REIT.

Subject to the paragraph immediately below, the Company will be a close company if, broadly speaking, there are five or fewer shareholders (not being “institutional investors”) who together hold more than 50 per cent. of the economic or voting rights in the Company, and it will also be a close company if more than 50 per cent. of such rights are in the hands of shareholders who are directors. For this purpose, shareholders are deemed to hold, in addition to their own holdings, shares that are held by certain related parties, including certain relatives, trusts and controlled companies. Due to its substantial family shareholdings, the Company may currently be a close company under this basic test.

There is, however, an exception which applies where at least 35 per cent. of the relevant company’s voting shares are subject to trading and “beneficially held by the public”. This will be the case if, broadly speaking, at least 35 per cent. of the Ordinary Shares are beneficially owned by persons other than directors and principal shareholders (namely, those holding more than 5 per cent. of the Ordinary Shares); again, shares held by certain related parties are taken into account in determining the holdings of directors and principal shareholders. The Company believes that it currently qualifies for this exception and, accordingly, meets the close company condition.

Whether the Company will continue to meet this condition in the future will depend on the composition of its shareholder base. The Placing will be made with this in mind; indeed, it is expected that the result of the Capital Raising will be to increase the margin of safety for the Company. But there can be no guarantee that the close company condition will continue to be met. Should the Company judge that it has failed or is at risk of failing the close company condition, it is likely to attempt to take action to address this, which could include amending the Special Article to empower the Company to arrange for the sale of Ordinary Shares on behalf of Shareholders.

3. RISKS RELATING TO THE CAPITAL RAISING AND THE ORDINARY SHARES

The Company’s share price may fluctuate

The market price of the New Ordinary Shares and/or the Existing Ordinary Shares may be subject to significant fluctuations due to a change in sentiment in the market regarding the New Ordinary Shares and/or the Existing Ordinary Shares (or similar securities). Such risks depend on the market’s perception of the likelihood of completion of the Capital Raising and/or may be in response to various facts and events, including variations in the Group’s operating results compared with the expectations of market analysts and investors, business development of the Group or its competitors, regulatory changes affecting the Group’s operations or speculations about the Group’s business. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Group’s operating performance or prospects. Any of these events could result in a decline in the market price of the New Ordinary Shares and/or the Existing Ordinary Shares.

The market price for Ordinary Shares may decline below the Offer Price

There is no assurance that the public trading market price of the Ordinary Shares will not decline below the Offer Price. Should that occur, relevant Shareholders will suffer an immediate loss as a result. Moreover, there can be no assurance that, following Shareholders' acquisition of New Ordinary Shares, Shareholders will be able to sell their New Ordinary Shares at a price equal to or greater than the acquisition price for those shares.

Existing Shareholders may experience dilution in their ownership of the Company as a result of the Capital Raising

Assuming that 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising, if a Qualifying Shareholder does not take up any of their Open Offer Entitlements, or if a Shareholder is not eligible to participate in the Open Offer, the proportionate ownership and voting interests of that Shareholder will be diluted by 50 per cent.

Investors acquiring 10 per cent. or more of the Company's share capital may not be able to receive dividends and may be required to dispose of shares

An investor that is a company or other body corporate and is beneficially entitled (directly or indirectly) to 10 per cent. or more of the shares or dividends of the Company or controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company will be a "Substantial Shareholder". Under the REIT regime, a tax charge may be levied on the Company if it makes a distribution to a "Substantial Shareholder", unless the Company has taken reasonable steps to avoid such a distribution being paid.

In order to avoid this tax charge, the Company (in common with other REITs) has included certain provisions in the Articles. The Company may refuse to pay dividends to any person the Board believes to be a Substantial Shareholder unless and until it is satisfied that such a person is not or is no longer a Substantial Shareholder. Furthermore a Substantial Shareholder may be required to dispose of its beneficial entitlement to dividends or of its shares. Accordingly, Shareholders and potential investors should be careful to avoid a situation where they may have a holding of 10 per cent. or more of the Ordinary Shares, as this could adversely affect their ability to receive dividends and may result in a tax charge for the Company which the Shareholder was obliged to reimburse, or a requirement to sell all or some of their Shares.

Any future issue of shares will further dilute the holdings of shareholders of the Company and could adversely affect the market price of Ordinary Shares

Other than pursuant to the Capital Raising, the Company has no current plans for an offering of shares apart from possible offerings in relation to the Employee Share Schemes. However, it is possible that the Company may decide to offer additional shares in the future either to raise capital or for other purposes. If Shareholders did not take up such offer of shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their Ordinary Shares would represent of the total share capital of the Company would be reduced accordingly. An additional offering, or significant sales of shares by major shareholders, could have a material adverse effect on the market price of Ordinary Shares as a whole.

The ability of Overseas Shareholders to bring actions, or to enforce judgments, against the Company, the Directors or the officers of the Company may be limited

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. McKay is a public limited company incorporated in England. The rights of holders of Ordinary Shares are governed by English law and the Articles. These rights differ from the rights of shareholders in some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and the Group's executive officers. All of the Directors and the Group's executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and the Group's executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and the Group's executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and

commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or the Group's executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the McKay Directors or the Group's executive officers in any original action based solely on foreign securities laws brought against the Group or the Directors or the Group's executive officers in a court of competent jurisdiction in England or other countries.

Overseas Shareholders may be subject to exchange rate risks

The Ordinary Shares are priced in Pounds Sterling, and will be quoted and traded in Pounds Sterling. In addition, any dividends the Company may pay will be declared and paid in Pounds Sterling. Accordingly, holders of Ordinary Shares resident outside the UK jurisdictions are subject to risks arising from adverse movements in the value of their local currencies against the Pounds Sterling, which may reduce the value of the New Ordinary Shares, as well as that of any dividends paid.

Admission of the New Ordinary Shares may not occur when expected

Application for Admission of the New Ordinary Shares is subject to the approval (subject to satisfaction of any conditions which such approval is expressed) of the UK Listing Authority and Admission will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange has acknowledged that the New Ordinary Shares will be admitted to trading. There can be no guarantee that any conditions to which Admission is subject will be met or that the UK Listing Authority will issue a dealing notice. See the 'Expected Timetable of Principal Events' on page 25 of this document for further information on the expected dates of these events.

The Company's ability to pay dividends and effect returns of capital in the future is not certain

As the principal company of a REIT group, the Company is required, amongst other things, to distribute annually to Shareholders at least 90 per cent. of the tax exempt income profits arising to the Group in each financial year, but in addition may also make distributions to shareholders by way of normal dividend payments.

However, the ability of the Company to pay dividends on its shares and to effect certain capital returns is not certain, and is dependent upon it having sufficient distributable cash resources and, where necessary, sufficient distributable reserves out of which any proposed dividend may be paid. The Company can give no assurances that it will be able to pay a dividend on its shares in the future. The continued payment of any dividends, and any future increase in the dividend, will also depend upon a number of factors, including but not limited to, the Group's financial condition, restrictions imposed under the terms of the Group's future indebtedness, any gains realised from disposals of properties, relevant legal and regulatory restrictions, and such other factors as the Company may deem relevant.

IMPORTANT NOTICES

1. Forward looking statements

This document contains or incorporates by reference forward looking statements which are based on the beliefs, expectations and assumptions of the Directors and other members of senior management about the Group's businesses and the Capital Raising. All statements other than statements of historical fact included in this document may be forward looking statements. Generally, words such as "will", "may", "should", "could", "estimates", "continue", "believes", "expects", "aims", "targets", "projects", "intends", "anticipates", "plans", "prepares", "seeks" or, in each case, their negative or other variations or similar or comparable expressions identify forward-looking statements.

These forward looking statements are not guarantees of future performance, and there can be no assurance that the expectations reflected in such forward looking statements will prove to have been correct. Rather, they are based on the current beliefs, expectations and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and are difficult to predict, that may cause actual results, performance, plans, objectives, achievements or events to differ materially from those express or implied in such forward looking statements. Any forward looking statements contained in this document are subject to the risk factors described in the "Risk Factors" section of this document.

Any forward looking statement contained in this document based on past or current trends and/or activities of the Group should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed historical or published earnings of the Group.

Forward looking statements contained in this document do not in any way seek to qualify the working capital statement contained in section 8 of Part 12 (*Additional Information*).

Each forward looking statement speaks only as at the date of this document. The Company and/or its Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained herein as a result of new information, future events or other information, except to the extent required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the rules of the London Stock Exchange or by applicable law.

2. Presentation of financial and other information

The Company publishes its financial statements in Pounds Sterling ("£" or "Sterling"). The abbreviation "£m" represents millions of Pounds Sterling and references to "pence" and "p" represent pence in the UK.

The financial information presented in a number of tables in this documents has been rounded to the nearest whole number or the nearest decimal point. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

3. Website

The contents of the Company's website or of any website accessible via hyperlinks from the Company's website are not incorporated into, and do not form part of, this document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change. Please refer to the notes for this timetable set out below.

	<i>2014</i>
Record Date for entitlement under the Open Offer	5.00 p.m. on 24 January
Announcement of the Capital Raising	29 January
Prospectus published and Forms of Proxy despatched; Application Forms despatched to Qualifying Non-CREST Shareholders	29 January
Ex-entitlement Date for the Open Offer	30 January
Open Offer Entitlements credited to stock accounts in CREST (Qualifying CREST shareholders only)	as soon as possible after 8.00 a.m. on 30 January
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST (i.e. if your Open Offer Entitlements are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 7 February
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 10 February
Latest time and date for splitting Application Forms	3.00 p.m. on 11 February
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments	10.00 a.m. on 12 February
Latest time and date for receipt of completed Application Forms and payments in full and settlement of CREST instructions (as appropriate)	11.00 a.m. on 13 February
Latest time and date for receipt of Placing Commitments	4.30 p.m. on 13 February
General Meeting	10.00 a.m. on 14 February
Announcement of results of Firm Placing and Placing and Open Offer	14 February
Date of Admission and dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	by 8.00 a.m. on 19 February
New Ordinary Shares credited to CREST stock accounts (uncertificated Shareholders only)	by 8.00 a.m. on 19 February
Expected despatch of definitive share certificates for the New Ordinary Shares in certificated form	on or around 20 February

Notes:

- (1) The times and dates set out in the expected timetable of principal events above and mentioned in this document, the Application Form and in any other document issued in connection with the Capital Raising are subject to change by the Company, in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, to Shareholders.
- (2) Any reference to a time in this document is to London time, unless otherwise specified.
- (3) The ability to participate in the Open Offer is subject to certain restrictions relating to Shareholders with registered addresses or located or resident in countries outside the UK, details of which are set out in section 9 of Part 2 (*Terms and Conditions of the Capital Raising*) of this document.

CAPITAL RAISING STATISTICS

Offer Price	189 pence
Number of Existing Ordinary Shares in issue ⁽¹⁾	45,879,174
Number of Firm Placed Shares to be issued pursuant to the Firm Placing	14,131,241
Maximum number of Open Offer Shares to be issued pursuant to the Placing and Open Offer	31,747,933
Maximum aggregate number of New Ordinary Shares to be issued pursuant to the Capital Raising	45,879,174
Enlarged Share Capital immediately following the Capital Raising ⁽²⁾	91,758,348
New Ordinary Shares as a percentage of the Enlarged Share Capital of the Company following the Capital Raising ⁽²⁾	50 per cent.
Estimated gross proceeds of the Capital Raising ⁽²⁾	£86,711,639
Estimated expenses of the Capital Raising ⁽²⁾	£4,552,361
Estimated net proceeds receivable by the Company, after deduction of expenses ⁽²⁾	£82,159,278

Notes:

1. As at 28 January 2014 being the latest practicable date prior to the publication of this document.
2. Assuming 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

1. Directors	<p><i>Director</i></p> <p>David Thomas Simon Perkins Giles Salmon Steven Mew Andrew Gulliford Nigel Aslin Viscount Lifford</p>	<p><i>Position</i></p> <p><i>Non-executive Chairman</i> <i>Managing Director</i> <i>Finance Director</i> <i>Executive Director</i> <i>Senior Independent Director</i> <i>Non-executive Director</i> <i>Non-executive Director</i></p>
	<p><i>The business address of each of the Directors is the Company's registered address at 20 Greyfriars Road, Reading, Berkshire RG1 1NL.</i></p>	
2. Group Company Secretary	<p>Joanne McKeown A.C.I.S.</p>	
3. Registered Office	<p>20 Greyfriars Road Reading Berkshire RG1 1NL</p>	
4. Website	<p>www.mckaysecurities.plc.uk</p>	
5. Telephone number	<p>+44 (0)118 950 2333</p>	
6. Advisers and others		
Sponsor and Bookrunner	<p>Oriel Securities Limited 150 Cheapside London EC2V 6ET</p>	
Legal Adviser to the Company	<p>Slaughter and May One Bunhill Row London EC1Y 8YY</p>	
Legal Adviser to the Sponsor and Bookrunner	<p>Lawrence Graham LLP 4 More London Riverside London SE1 2AU</p>	
Auditor and Reporting Accountants	<p>KPMG Audit plc Chartered Accountants 15 Canada Square London E14 5GL</p>	
Registrar	<p>Equiniti Limited Aspect House, Spencer Road Lancing West Sussex BN99 6DA</p>	
Property Valuer	<p>Mellersh & Harding LLP Kingsbury House 15-17 King Street London SW1Y 6QU</p>	

PART 1

LETTER FROM THE CHAIRMAN OF MCKAY

20 Greyfriars Road
Reading
Berkshire
RG1 1NL

MCKAY SECURITIES PLC

*(incorporated and registered in England and Wales
with registered number 421479)*

To Qualifying Shareholders

29 January 2014

Dear Shareholder,

PROPOSED CAPITAL RAISING

1. Introduction to the Capital Raising

It was announced today that the Company proposes to raise new capital in order to provide additional financial resources to take advantage of its position as the only REIT entirely focussed on the improving markets of South East England and London. The Company proposes to raise gross proceeds of approximately £86.7 million (approximately £82.2 million net of expenses) by way of a Firm Placing and Placing and Open Offer of 45,879,174 New Ordinary Shares at an Offer Price of 189 pence per New Ordinary Share.

Under the Open Offer, Qualifying Shareholders are being given the opportunity to subscribe for Open Offer Shares *pro rata* to their Existing Holdings on the basis of 1 Open Offer Share for every 1 Existing Ordinary Share held by them at the Record Date.

Under the Firm Placing, 14,131,241 New Ordinary Shares, representing the Open Offer Entitlements of the Family Shareholders who have irrevocably undertaken not to take up any of their Open Offer Entitlements, have been placed firm with certain institutional investors at the Offer Price, to raise gross proceeds of approximately £26.7 million. The Firm Placed Shares will not be subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer.

The remaining 31,747,933 Open Offer Shares have been conditionally placed with institutional and other new investors at the Offer Price, subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer.

Given that the Company has been able to place 14,131,241 New Ordinary Shares under the Firm Placing, and the Board's desire to ensure that Qualifying Shareholders have the right to subscribe for New Ordinary Shares on a fully pre-emptive basis (irrespective of whether they wish to do so) and so avoid dilution of their equity interests, 31,747,933 New Ordinary Shares are being offered under the Open Offer.

The Firm Placing and Placing and Open Offer will each be made at an Offer Price of 189 pence per New Ordinary Share, representing a discount of 1.0 per cent. to the Closing Price of 191 pence on 28 January 2014 (being the last Business Day prior to the announcement of the Capital Raising).

The Capital Raising is conditional upon, among other things, the approval of the Resolutions at the General Meeting which will be held at The Royal Thames Yacht Club at 10.00 a.m. on 14 February 2014. The Notice of General Meeting along with the action to be taken in respect of the General Meeting is set out at the end of this document.

The Company has received irrevocable undertakings from the Family Shareholders, in respect of approximately 31 per cent. of the Company's existing issued share capital to vote in favour of the Resolutions to be proposed at the General Meeting.

I am writing to give you further details of the Capital Raising, including the background to and reasons for it, to explain why the Board considers it to be in the best interests of the Company and its Shareholders as a whole, and to seek your approval of the Resolutions to be proposed at the General Meeting.

2. Information relating to McKay

The Board's strategy is to grow the capital value and recurring income from a portfolio of primarily office and industrial properties through development, refurbishment and active management, whilst maintaining an appropriate level of gearing.

Since listing in 1959, the Group has concentrated on the established commercial markets of South East England and London. The current management team has established a strong track record in these markets, and the Group has maintained a sound financial base throughout the financial downturn.

The Group's portfolio of 36 properties, totalling 1.2 million sq ft, is now located entirely within the South East and London. The Group's development and refurbishment experience is highlighted by the fact that 72 per cent. of the portfolio (by area) has either been built or refurbished by the Group, with current and near-term schemes accounting for a further 7 per cent. of existing portfolio area. The portfolio is managed by an experienced in house team, all located at the Group's office in Reading.

Further information on McKay's business is set out in Part 4 (*Information on McKay*) of this document.

3. Current trading, trends and prospects

Recent improvement in reported economic data has had a positive impact on market sentiment and helped the spread of confidence from London to the South East office and industrial markets where the Group principally operates. For the first time since the financial crisis in 2008, rental values across the South East office market generally have ceased declining. It is anticipated that rental values in this market are now set to rise, due to improving tenant demand and competition for an increasingly limited supply of good quality buildings. Investors have recognised this potential for rental growth outside of London, and capital values have improved as a result of increases in demand. Lettings across these markets for 2013 look set to be the highest since 2007 and nearly double the 2012 level of 1.4 million sq ft.

On the supply side, limited finance, planning constraints and uncertain viability in recent years have all contributed to limited development activity across the Group's markets generally. This is particularly the case in the South East office markets where the supply of Grade A floor space has reduced by 20 per cent. to 6.1 million sq ft over the three year period to September 2013, and the supply of new floor space has reduced by 30 per cent. to 2.5 million sq ft. The vacancy rate for new floor space has reduced to 2.9 per cent. from 4.2 per cent. in September 2010 and in a number of centres in the South East markets there is now very limited new stock available.

There is also an estimated 16.8 million sq ft of lease breaks and expiries over the next 3 years, as a result of longer leases on older buildings coming to an end. Within the South East office segment of the IPD (monthly) Index, 58 per cent. of all buildings were constructed prior to 1995, and it is therefore anticipated that obsolescence will be a major contributor to future demand. The Board anticipates that the failure of services in aging buildings, coupled with the increased importance to tenants of sustainability and other environmental impacts, are likely to drive demand for new and refurbished properties.

It is expected that these factors will limit occupier choice at a time of improving market confidence, and the Board anticipates that tenants will want to upgrade their properties at lease break or expiry. This combination of factors is already generating a recovery in rental values.

The Group is well placed to benefit from this expected bottleneck in supply because its existing portfolio of buildings is of good quality, and void properties are positioned to meet the structural and environmental

standards being sought by prospective occupiers. Current and near term portfolio projects will also deliver further high quality office product, which the Board anticipates will enable the Group to benefit from supply constraints and heightened demand.

The Group today released its Interim Management Statement for the period from 1 October 2013 to 27 January 2014 which included the following updates on current trading, trends and prospects:

“Over the period the freehold acquisition of 1 Crown Square, Woking increased the number of assets within the portfolio to thirty-six. This multi-let property, totalling 51,500 sq ft is located in central Woking. It was purchased at a price of £6.00 million, providing an initial yield of 9.3 per cent. from an annual net rent of £588,150. In the short term there is potential to increase the low average rental value of £11.60 psf, with the potential for a more substantial refurbishment or redevelopment in the medium term.

Eight open market lettings were completed over the period within the portfolio totalling 31,430 sq ft, with a combined contracted rent of £0.50 million pa; in line with September 2013 valuation rental values. Lettings included Buildings 1, 3 & 4 at Switchback Office Park, Maidenhead on completion of refurbishment works and the expansion of a tenant into an additional unit at the McKay Trading Estate, Poyle.

At lease break and expiry, 50 per cent. of tenants remained in occupation securing contracted rents of £0.63 million pa. The combined rental value of expired leases was £0.48 million, of which 66 Wilson Street, EC2 accounted for £0.28 million. This property, along with office space at Maidenhead and Bracknell, is being refurbished.

Portfolio occupancy (by rental value) remained unchanged at 89 per cent. and there is an encouraging interest in a number of properties.

The Group has maintained a sound financial position with £155.0 million of loan facilities secured until at least 2016. Drawn debt increased to £107.0 million (30th September 2013: £100.5 million) due primarily to the acquisition of Woking. The Group has cash and cash equivalents of £0.3 million. Interest rate hedging facilities totalling £105.0 million remain in place.”

4. Reasons for the Capital Raising and use of proceeds

Having maintained compliance with banking facilities without the need to raise equity capital throughout the financial downturn, the Board believes that a capital raising should now be undertaken in order to provide additional financial resources for the Group to pursue its strategy and benefit from positive trends in the South East and London markets.

The Board is of the opinion that the Capital Raising will accelerate the overall delivery of returns from the Group’s current portfolio projects as well as enabling the Group to undertake the near-term projects currently under review, which would add further potential for the creation of future income and capital gains.

The Group’s current portfolio projects are:

- Switchback Business Park, Maidenhead: a 6 month refurbishment programme of Buildings 1 and 4 (10,765 sq ft pre-let) and 6 (4,750 sq ft speculative), to provide upgraded office units with completion anticipated in Spring 2014;
- 66 Wilson Street, London EC2: a 6 month refurbishment programme which commenced in January 2014 and will reposition this prominent office property in an improving area that is set to benefit further from the introduction of Crossrail in 2018;
- Doncastle House, Bracknell: refurbishment works commenced in December 2013 and will upgrade and re-position this building which will then be marketed on a multi-let basis; and
- Strawberry Hill House, Newbury: terms have been agreed for a pre-let of this 1980s office building for medical use. On completion of planned conversion and expansion works, two medical practices will take a government-sponsored 25 year lease of the whole building.

In addition, the Board is considering a number of other opportunities, which may include:

- London Road, Redhill: a pre-let marketing campaign is to commence shortly to attract a tenant for the whole or a significant part of the 47,000 sq ft office building and a speculative start on-site will be kept under review; and
- 30/32 Lombard Street, EC3: vacant possession can be obtained from September 2014, providing a window for redevelopment prior to expiry of existing planning consent for a high quality scheme of c.58,000 sq ft in December 2015.

Assuming that 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising, to raise gross proceeds of approximately £86.7 million, it is anticipated that approximately £45 million will be used to fund the current portfolio projects and refurbishment and redevelopment opportunities noted above (made up of £10 million for the current portfolio projects and £35 million for the Redhill and Lombard Street projects).

The remainder of the net proceeds may be used by the Group to, where appropriate and in line with its strategy, fund property acquisitions, to strengthen the Group's financial position and for the general corporate purposes of the Group.

Use of the proceeds from the Capital Raising for these purposes would increase the size of the portfolio, bringing with it inherent diversification advantages. The Board further anticipates that it will enable the Group to benefit from economies of scale, enhance the Group's earnings and support its progressive dividend policy.

Further, by increasing the market capitalisation of the Company, the Board considers that the Capital Raising will make the Group a more attractive investment prospect going forward, and promote increased liquidity in the Company's shares.

The Capital Raising will also reduce the Group's gearing ratio, which will in turn increase the available headroom under the Group's financial covenants. As a result, the Group will be able to access the favourable terms provided by the Group's existing bank facilities. The additional availability of funds under these facilities will further support the Group's strategy of strengthening the scale and quality of the Group's portfolio.

Until the net proceeds are utilised as set out above, they will be applied to reduce the amount drawn on the Group's four banking facilities (which can be redrawn).

5. Financial effects of the Capital Raising

A pro forma statement of net assets, which illustrates the effect of the Capital Raising on the Group's net assets as at 30 September 2013 as if the Capital Raising had been undertaken at that date, is set out in Part 7 of this document. This information is unaudited and has been prepared for illustrative purposes only.

The pro forma statement shows that net proceeds from the Capital Raising of approximately £82.2 million would have led to a pro forma movement in net assets from £92.2 million to £174.4 million as at 30 September 2013. If the Capital Raising had been undertaken on 30 September 2013, it would have reduced the Group's earnings per share. However, the Directors believe that, while the increased number of Ordinary Shares in issue following the Capital Raising will reduce earnings on a per share basis in the short term, it will position the Group to take advantage of the growth opportunities in the South East and London markets and increase shareholder value and earnings per share over the medium to long term.

6. Summary of the principal terms of the Capital Raising

The Company is proposing to raise gross proceeds of approximately £86.7 million (approximately £82.2 million net of expenses) by way of a Firm Placing and Placing and Open Offer of 45,879,174 New Ordinary Shares at an Offer Price of 189 pence per New Ordinary Share.

The Offer Price represents a 1.0 per cent. discount to the Closing Price of 191 pence on 28 January 2014, being the last Business Day prior to the announcement of the Capital Raising. The Offer Price (and the

discount) has been set by the Directors following their assessment of the prevailing market conditions and anticipated demand for the New Ordinary Shares, and in light of the fact that Qualifying Shareholders are entitled to participate in the Open Offer on a fully pre-emptive basis. Therefore, the Board believes that the Offer Price (including the discount) is appropriate.

The Open Offer is an opportunity for Qualifying Shareholders to apply for Open Offer Shares *pro rata* to their Existing Holdings at the Offer Price, on the basis of:

1 Open Offer Share for every 1 Existing Ordinary Share

held by them and registered in their name at the Record Date and so in proportion to any other number of Existing Ordinary Shares then held and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Application Form. Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Open Offer Entitlement.

The latest time and date for receipt of completed Application Forms and payment in full or the settlement of the relevant CREST instruction (as applicable) will be 11.00 a.m. on 13 February 2014.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. New Ordinary Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights, and will not receive any benefit, under the Open Offer. Any New Ordinary Shares which are not applied for under the Open Offer may be allocated to Placees, subject to the terms and conditions of the Placing Agreement, with the proceeds retained for the benefit of the Company.

The Family Shareholders have irrevocably undertaken not to take up any of their Open Offer Entitlements in respect of, in aggregate, 14,131,241 Existing Ordinary Shares, representing approximately 31 per cent. of the Company's existing issued share capital. Subject to the conditions to the Capital Raising referred to in section 8 of this Part 1 below, under the Firm Placing, 14,131,241 New Ordinary Shares representing those Open Offer Entitlements have been placed firm with certain institutional investors at the Offer Price, to raise gross proceeds of approximately £26.7 million (before expenses). The Firm Placed Shares are not subject to clawback in favour of the Open Offer.

The Bookrunner has, pursuant to the Placing Agreement, conditionally placed the remaining 31,747,933 Open Offer Shares with certain institutional and other new investors at the Offer Price, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer.

For further details of the Placing Agreement, please see section 5.1 of Part 12 (*Additional Information*) of this document.

The Capital Raising would result in 45,879,174 New Ordinary Shares being issued, representing 100 per cent. of the Company's existing issued share capital. The actual number of New Ordinary Shares that will be issued pursuant to the Capital Raising will be notified by the Company via a Regulatory Information Service announcement prior to Admission.

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the date of the allotment and issue of the New Ordinary Shares.

The Board considers that the structure of the Capital Raising is appropriate, since it provides Qualifying Shareholders with the opportunity to participate in the fundraising on a fully pre-emptive basis, whilst maintaining the flexibility for the Company to access new investment in accordance with demand in the market.

Some questions and answers in relation to the Capital Raising, together with details of further terms and conditions of the Open Offer, including the procedure for application and payment and the procedure in respect of entitlements not taken up, are set out in Part 2 (*Terms and Conditions of the Capital Raising*) and Part 3 (*Questions and Answers on the Capital Raising*) of this document and in the Application Form.

7. Dilution

Assuming 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising, if a Qualifying Shareholder does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 50 per cent.

However, if a Qualifying Shareholder takes up his Open Offer Entitlement in full, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will not be diluted.

8. Conditionality

The Capital Raising (including the Firm Placing) is conditional upon the following:

- (A) the Resolutions having been passed by Shareholders at the General Meeting;
- (B) the Placing Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and
- (C) Admission having become effective by not later than 8.00 a.m. on 19 February 2014 (or such later time and/or date as the Bookrunner and the Company may agree, not being later than 28 February 2014).

Accordingly, if any of the conditions are not satisfied or, if applicable, waived, the Capital Raising will not proceed.

9. Overseas Shareholders

The attention of Overseas Shareholders or Shareholders who are holding Ordinary Shares for the benefit of such persons, (including, without limitation, custodians, nominees, trustees and agents), or who have a contractual right or other legal obligation to forward this document, Form of Proxy or the Application Form to such persons is drawn to the information which appears in section 9 of Part 2 (*Terms and Conditions of the Capital Raising*) of this document.

In particular, Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Entitlements under the Open Offer.

This document and the Application Form are not being made available to Overseas Shareholders with registered addresses in any Excluded Territory and may not be treated as an invitation to subscribe for any New Ordinary Shares by any person resident or located in such jurisdictions.

This document has been prepared to comply with English law, the Prospectus Rules and the Listing Rules, and the information disclosed may not be the same as that which could have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

10. Directors' participation in the Open Offer

The Directors intend to take up the following number of Open Offer Shares in respect of their Open Offer Entitlements:

<i>Director</i>	<i>Open Offer Entitlement</i>	<i>Number of Open Offer Shares</i>
David Thomas	96,558	26,500
Simon Perkins	94,515	29,000
Giles Salmon	15,000	15,000
Steven Mew	25,168	5,300
Andrew Gulliford	35,000	5,300
Nigel Aslin	65,000	5,300
Viscount Lifford	34,000	26,000

11. Dividends

For the year ended 31 March 2013 the Company paid a final dividend of 5.8p per share. For the six month period ended 30 September 2013, the Company paid an interim dividend of 2.7p per share.

The following table sets out the dividend per Ordinary Share paid in respect of each of the financial years ended 31 March 2013, 31 March 2012, 31 March 2011 and 31 March 2010:

	<i>2013 (pence)</i>	<i>2012 (pence)</i>	<i>2011 (pence)</i>	<i>2010 (pence)</i>
Final dividend per Ordinary Share for each year ended 31 March	5.8	5.7	5.6	5.5
Interim dividend per Ordinary Share for each year ended 31 March	2.7	2.7	2.7	2.7

12. The New Ordinary Shares

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The New Ordinary Shares will be issued under the Companies Act and the legislation made thereunder, will be issued in registered form and will be capable of being held in both certificated and uncertificated form. The other rights attached to the New Ordinary Shares are set out in section 3 of Part 12 (*Additional Information*) of this document.

Approval of the issue of the New Ordinary Shares will be sought at the General Meeting. A summary of the Resolutions to be proposed at the General Meeting in connection with the issue of the New Ordinary Shares is set out in section 15 of this Part 1 below.

13. Settlement, listing and dealings of the New Ordinary Shares

Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List with a premium listing and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the New Ordinary Shares will commence on the London Stock Exchange at or shortly after 8.00 a.m. on 19 February 2014.

The Existing Ordinary Shares are already admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities and to CREST. It is expected that all of the New Ordinary Shares, when issued and fully paid, will be capable of being held and transferred by means of CREST. The New Ordinary Shares will trade under ISIN GB0005522007.

14. Employee Share Schemes

Participants in the Employee Share Schemes will be advised separately of adjustments (if any) to their rights as a result of the Capital Raising.

15. General Meeting

The Capital Raising is subject to a number of conditions, including Shareholders' approval of the Resolutions proposed at the General Meeting. Notice convening the General Meeting to be held at 10.00 a.m. on 14 February 2014 at The Royal Thames Yacht Club, 60 Knightsbridge, London SW1X 7LE is set out at the end of this document.

First Resolution – Authority to allot

The First Resolution is an ordinary resolution authorising the Directors to allot up to 45,879,174 Ordinary Shares, representing 100 per cent. of the Company's current issued share capital as at 28 January 2014 (being the latest practicable date prior to the publication of this document) at a discount of 1.0 per cent. to the Closing Price of 191 pence on 28 January 2014, being the Business Day prior to the announcement of the Capital Raising in connection with the Capital Raising (on the terms and conditions set out in this document). This authority will expire at the conclusion of the annual general meeting of the Company to be held in 2014. The authority granted by the First Resolution will be in addition to the authority to allot Ordinary Shares which was granted to the Directors at the Company's annual general meeting in 2013, which the Directors have no present intention of exercising and which will expire on the date of the annual general meeting of the Company to be held in 2014 or at the close of business on 30 September 2014 (whichever is sooner).

Second Resolution – Disapplication of pre-emption rights

The Second Resolution is a special resolution that, subject to the First Resolution being passed, authorises the Directors to allot up to 45,879,174 Ordinary Shares for cash under the authority given by the First Resolution as if section 561 of the Companies Act did not apply to such allotment. This power will be limited to the allotment of New Ordinary Shares in connection with the Capital Raising (on the terms and conditions set out in this document). This authority will expire at the conclusion of the annual general meeting of the Company to be held in 2014. The authority to be granted by the Second Resolution will be in addition to the authority to disapply pre-emption rights which was granted to the Directors at the Company's annual general meeting in 2013, which will expire on the date of the annual general meeting of the Company to be held in 2014 or at the close of business on 30 September 2014 (whichever is sooner).

16. Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolutions to approve the Capital Raising from the Family Shareholders in respect of a total of 14,131,241 Ordinary Shares, representing approximately 31 per cent. of the Company's issued share capital.

17. Actions to be taken

In respect of the General Meeting

Existing Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you plan to attend the General Meeting in person, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's Registrar, Equiniti, as soon as possible and, in any event, by no later than 10.00 a.m. on 12 February 2014. You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference (SRN) printed on the Form of Proxy. CREST Shareholders may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti (CREST participant ID RA19), Electronic proxy appointments must also be received by no later than 10.00 a.m. on 12 February 2014. The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so.

In respect of the Open Offer

If you are a Qualifying Non-CREST Shareholder and you wish to take up your Open Offer Entitlements in whole or in part, you should complete and return the enclosed Application Form, together with your remittance for the full amount of the subscription monies for the New Ordinary Shares you wish to take up in accordance with the instructions printed thereon and in Part 2 (*Terms and Conditions of the Capital Raising*) of this document, by post or by hand, to Equiniti, so as to arrive by no later than 11.00 a.m. on 13 February 2014 being the latest time for acceptance and payment in full.

If you are a Qualifying CREST Shareholder, no Application Form is enclosed and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your maximum entitlement under the Open Offer.

The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The latest time for applications under the Open Offer to be received is 11.00 a.m. on 13 February 2014.

Full details of the terms and conditions of the Open Offer and the procedure for application and payment are contained in Part 2 (*Terms and Conditions of the Capital Raising*) of this document.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under FSMA if you are in the United Kingdom or, if you are not, from another appropriately authorised independent financial adviser.

18. Further information

Your attention is drawn to the additional information set out in Parts 2 to 12 of this document. In particular, your attention is also drawn to the section entitled “Risk Factors” set out on pages 16 to 23 of this document. You are advised to read the whole of this document and not rely solely on the information contained in this letter.

19. Board recommendation and voting intentions

The Board believes that the Capital Raising and the Resolutions are in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as each of the Directors intends to do in respect of his own beneficial holdings, which together amount to 365,241 Ordinary Shares, representing approximately 0.80 per cent. of the Company’s issued share capital as at 28 January 2014 (being the latest practicable date prior to the publication of this document).

Yours faithfully,

David Thomas
Chairman

PART 2

TERMS AND CONDITIONS OF THE CAPITAL RAISING

1. Introduction

As explained in Part 1 (*Letter from the Chairman of McKay*), the Company is proposing to raise approximately £86.7 million (approximately £82.2 million net of expenses) by way of a Firm Placing and Placing and Open Offer of 45,879,174 New Ordinary Shares at an Offer Price of 189 pence per New Ordinary Share.

The Offer Price represents a discount of 1.0 per cent. to the Closing Price of 191 pence on 28 January 2014, being the last Business Day prior to the announcement of the Capital Raising.

The Open Offer is an opportunity for Qualifying Shareholders to apply for in aggregate 45,879,174 New Ordinary Shares *pro rata* to their Existing Holdings at the Offer Price on the basis of 1 Open Offer Share for every 1 Existing Ordinary Share held by them at the Record Date.

Under the Firm Placing, 14,131,241 New Ordinary Shares representing the Open Offer Entitlements of the Family Shareholders who have irrevocably undertaken not to take up any of their Open Offer Entitlements, have been placed firm with certain institutional investors at the Offer Price, to raise gross proceeds of approximately £26.7 million (before expenses). The Firm Placed Shares are not subject to clawback in favour of the Open Offer.

The Bookrunner has, pursuant to the Placing Agreement, conditionally placed the remaining 31,747,933 Open Offer Shares with certain institutional and other new investors at the Offer Price, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer. For further details of the Placing Agreement, please see section 5.1 of Part 12 (*Additional Information*) of this document.

The Capital Raising is conditional upon:

- (A) the Resolutions having been passed by Shareholders at the General Meeting;
- (B) the Placing Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and
- (C) Admission having become effective by not later than 8.00 a.m. on 19 February 2014 (or such later time and/or date as the Bookrunner and the Company shall agree, not being later than 28 February 2014).

The Capital Raising would result in 45,879,174 New Ordinary Shares being issued, which will together represent 50 per cent. of the Enlarged Share Capital of the Company immediately following the Capital Raising. The Existing Ordinary Shares will represent 50 per cent. of the Enlarged Share Capital of the Company.

None of the elements of the Capital Raising are being underwritten.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the date of their issue. The New Ordinary Shares will be in registered form and capable of being held in certificated form or uncertificated form in CREST.

2. Terms of the Open Offer

Subject to the terms and conditions set out in this Part 2 (and, in the case of Qualifying Non-CREST Shareholders, the Application Form), each Qualifying Shareholder is being invited to subscribe for Open Offer Shares *pro rata* to their Existing Holdings at the Offer Price (payable in full and free of all expenses) on the following *pro rata* basis:

1 Open Offer Share for every 1 Existing Ordinary Share

held and registered in their name on the Record Date and so in proportion to any other number of Existing Ordinary Shares then held.

Applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements.

The Offer Price represents a discount of approximately 1.0 per cent. to the Closing Price for an Ordinary Share of 191 pence on 28 January 2014 (being the Business Day prior to the announcement of the Capital Raising).

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights, and will not receive any benefit, under the Open Offer. Any Open Offer Shares which are not applied for under the Open Offer may be allocated to the Placees, subject to the terms and conditions of the Placing Agreement, with the proceeds retained for the benefit of the Company.

The Family Shareholders have irrevocably undertaken not to take up any of their Open Offer Entitlements in respect of, in aggregate, 14,131,241 Existing Ordinary Shares, representing 31 per cent. of the Company's existing issued share capital. Under the Firm Placing, 14,131,241 New Ordinary Shares representing those Open Offer Entitlements have been placed firm with certain institutional investors at the Offer Price, to raise gross proceeds of approximately £26.7 million (before expenses). The Firm Placed Shares are not subject to clawback in favour of the Open Offer.

The Bookrunner has, pursuant to the Placing Agreement, conditionally placed the remaining 31,747,933 Open Offer Shares with certain institutional and other new investors at the Offer Price, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer. For further details of the Placing Agreement, please see section 5.1 of Part 12 (*Additional Information*) of this document.

The attention of Shareholders and any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document or an Application Form into a jurisdiction other than the UK is drawn to section 9 of this Part 2 relating to Overseas Shareholders, which forms part of the terms and conditions of the Open Offer. In particular, Overseas Shareholders with registered addresses in any Excluded Territory will not be sent this document or the Application Form.

Assuming 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising, **Qualifying Shareholders who do not take up any of their Open Offer Entitlements will suffer a dilution of 50 per cent. in their ownership of the Company.**

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is as at 5.00 p.m. on 24 January 2014. Application Forms for Qualifying Non-CREST Shareholders accompany this document and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 30 January 2014. **The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. on 13 February 2014.**

Application will be made for the New Ordinary Shares to be admitted to the Official List with a premium listing and admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence, fully paid, at or shortly after 8.00 a.m. on 19 February (whereupon an announcement will be made by the Company to a Regulatory Information Service).

3. Conditionality

The Open Offer is conditional upon the Placing Agreement becoming or being declared unconditional in all respects by 19 February 2014 and the Placing Agreement not having been terminated in accordance with its terms prior to Admission. The Placing Agreement is conditional among other things, upon:

- (i) the passing of the Resolutions; and
- (ii) Admission becoming effective on or before 8.00 a.m. on 19 February 2014 (or such later date and/or time as the Company and the Bookrunner may agree, being no later than 28 February 2014).

In the event that any of these conditions is not satisfied or where applicable waived, the Capital Raising will not proceed. In such circumstances, application monies will be returned without payment of interest, as soon as practicable thereafter. No temporary documents of title will be issued in respect of the Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to the Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form on or around 20 February 2014. After Admission, the Placing Agreement will not be subject to any condition or right of termination (including in respect of statutory withdrawal rights). A summary of the principal terms of the Placing Agreement is set out in section 5.1 of Part 12 (*Additional Information*) of this document.

All Qualifying Shareholders taking up their Open Offer Entitlements will be deemed to have given the representations and warranties set out in section 10(a) of this Part 2 (in the case of Qualifying Non-CREST Shareholders) and section 10(b) of this Part 2 (in the case of Qualifying CREST Shareholders) unless, in each case, such requirement is waived in writing by the Company.

4. Action to be taken in connection with the Open Offer

If you are in any doubt as to the action you should take, or the contents of this document, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent adviser duly authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

The action to be taken in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has received an Application Form in respect of their entitlement under the Open Offer or has had their Open Offer Entitlements credited to his CREST Stock account.

If you are a Qualifying Non-CREST Shareholder, please refer to section 5 and sections 7 to 11 (inclusive) of this Part 2 (*Terms and Conditions of the Capital Raising*).

If you are a Qualifying CREST Shareholder, please refer to section 6 and sections 7 to 11 (inclusive) of this Part 2 (*Terms and Conditions of the Capital Raising*) and to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to apply under the Open Offer Entitlements in respect of the Open Offer Entitlements of such members held in CREST.

5. If you have an Application Form in respect of your entitlement under the Open Offer

5.1 General

Save as provided in section 9 of this Part 2 below, Qualifying Non-CREST Shareholders will have received an Application Form with this document.

The Application Form sets out:

- (A) in Box 1, the number of Existing Ordinary Shares registered in such person's or persons' name on the Record Date (on which a Qualifying Non-CREST Shareholder's Open Offer Entitlement is based);

- (B) in Box 2, the maximum number of Open Offer Shares for which such person(s) are entitled to apply under the Open Offer;
- (C) in Box 3, how much such person(s) would need to pay in Pounds Sterling if they wish to take up their Open Offer Entitlement in full;
- (D) the procedures to be followed if such person(s) wishes to dispose of all or part of his Open Offer Entitlement or to convert all or part of their entitlement into uncertificated form; and
- (E) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so.

Qualifying Non-CREST Shareholders may also hold an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Application Form constitute part of the terms and conditions of the Open Offer to Qualifying Non-CREST Shareholders.

The latest time and date for acceptance of the Application Forms and payment in full will be 11.00 a.m. on 13 February 2014. The Open Offer Shares are expected to be issued on 19 February 2014. After such date the Open Offer Shares will be in registered form, freely transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

Qualifying Shareholders who do not want to take up or apply for Open Offer Shares should take no action and should not complete or return the Application Form. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by attending in person or by completing and returning the enclosed Form of Proxy (either in hard copy or electronically) or by completing and transmitting a CREST Proxy Instruction.

5.2 *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Ordinary Shares through the market prior to 8.00 a.m. on 30 January 2014 (the date upon which the Ordinary Shares were marked 'ex' the entitlement to participate in the Open Offer). Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims prior to 3.00 p.m. on 11 February 2014.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Ordinary Shares prior to the date upon which the Ordinary Shares were marked 'ex' the entitlement to participate in the Open Offer, being 8.00 a.m. on 30 January 2014, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 6 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however, be forwarded to or transmitted in or into any of the Excluded Territories. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in section 6 of this Part 2 below.

Qualifying Non-CREST Shareholders who have sold all of their registered holdings prior to 5.00 p.m. on 24 January 2014 should, if the market claim is to be settled outside CREST, complete Box 6 on the Application Form and immediately send it to the broker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee, or directly to the purchaser or transferee, if known. The Application Form should not, however, be forwarded to or transmitted in or into any Excluded Territory. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in section 6 of this Part 2 below.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred part only of their Existing Ordinary Shares shown in Box 1 of their Application Form prior to 5.00 p.m. on 24 January 2014 should, if the market claim is to be settled outside CREST, complete Box 6 of the Application Form and immediately deliver the Application Form, together with a letter stating the number of Application Forms required (being one for the Qualifying Non-CREST Shareholder in question and one for each of the purchasers or transferees), the total number of Existing Ordinary Shares to be included in each Application Form (the aggregate of which must equal the number shown in Box 1 of the Application Form) and the total number of Open Offer Entitlements to be included in each Application Form (the aggregate of which must equal the number shown in Box 2), to the broker, bank or other agent through whom the sale or transfer was effected or return it by post to Equiniti so as to be received by no later than 11 February 2014. The Receiving Agent will then create new Application Forms, mark the Application Forms 'Declaration of sale or transfer duly made' and send them by post to the person submitting the original Application Form. The Application Form should not, however, be forwarded to or transmitted in or into any Excluded Territory.

5.3 *Application procedures*

Qualifying Non-CREST Shareholders who wish to apply to subscribe for all or any of the Open Offer Shares in respect of their Open Offer Entitlement must complete, sign and return the Application Form in accordance with the instructions thereon. Completed Application Forms should be posted in the accompanying pre-paid envelope (in the UK only) or returned by post or by hand (during normal office hours only) to the Receiving Agent so as to be received by the Receiving Agent by no later than **11.00 a.m. on 13 February 2014**, after which time, subject to the limited exceptions set out below, Application Forms will not be valid. Applications delivered by hand will not be checked upon delivery and no receipt will be provided. Qualifying Non-CREST Shareholders should note that applications, once made, will, subject to the very limited withdrawal rights set out in section 8 of this Part 2, be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery. Multiple applications will not be accepted.

Completed Application Forms should be returned together with payment in accordance with section 5.4 of this Part 2 below.

5.4 *Payment*

All payments must be made by cheque or banker's draft in Pounds Sterling payable to "Equiniti Limited: re McKay Securities plc Open Offer" and crossed "A/C payee only". Cheques must be for the full amount payable on acceptance, and sent by post to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA so as to be received as soon as possible and, in any event, not later than **11.00 a.m. on 13 February 2014**. A pre-paid envelope for use within the UK only is enclosed with the Application Form.

Third party cheques may not be accepted except building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque or banker's draft to such effect. It is recommended that the account name should be the same as that shown on the application. Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the

UK, the Channel Islands or the Isle of Man and which is either a settlement member of Cheque & Credit Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

The Company reserves the right to have cheques and banker's drafts presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments will be paid to the Company. It is a term of the Open Offer that cheques must be honoured on first presentation and the Company may elect to treat as invalid any acceptances in respect of which cheques are not honoured. Return of the Application Form with a cheque will constitute a warranty that the cheque will be honoured on first presentation.

If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in an interest-bearing account retained for the Company until all conditions are met. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable, following the lapse of the Open Offer. The interest earned on such monies, if any, will be retained for the benefit of the Company.

If Open Offer Shares are allotted to a Qualifying Shareholder and a cheque for that allotment is subsequently not honoured, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholder pursuant to the provisions of this Part 2 in respect of the acquisition of such shares) on behalf of such Qualifying Shareholder. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Shareholder as a result.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renouces (or their agents, as appropriate) will be posted at their own risk.

All enquires in connection with the Application Forms should be addressed to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. Alternatively, enquiries in connection with the Application Forms can be made to Equiniti on 0871 384 2988. Overseas callers should use +44 (0) 121 415 0088. Calls cost 8p per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday. Other providers' costs may vary and international call charges will apply if you are calling from outside the United Kingdom. Please note that the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether you should take up your entitlements.

5.5 *Discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. on 13 February 2014, the offer to subscribe for Open Offer Shares will be deemed to have been declined and will lapse. However, the Company may, but shall not be obliged to, treat as valid (a) Application Forms and accompanying remittances that are received through the post not later than 10.00 a.m. on 14 February 2014 (the cover bearing a legible postmark not later than 11.00 a.m. on 13 February 2014); and (b) acceptances in respect of which a remittance is received prior to 11.00 a.m. on 13 February 2014 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of Open Offer Shares to be acquired and

undertaking to lodge the relevant Application Form, duly completed, by 10.00 a.m. on 14 February 2014 and such Application Form is lodged by that time.

The Company may also (in its absolute discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any application or purported application for the Open Offer Shares pursuant to the Open Offer that appears to the Company to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for Open Offer Shares in, an Excluded Territory.

5.6 *Effect of application*

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (A) represents and warrants to each of the Company and the Bookrunner that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (B) agrees with each of the Company and the Bookrunner that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England;
- (C) confirms to each of the Company and the Bookrunner that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document including any documentation incorporated by reference, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);
- (D) confirms that in making the application he is not relying and has not relied on the Bookrunner or any other person affiliated with the Bookrunner in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (E) represents and warrants to the Company and the Bookrunner that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (F) represents and warrants to each of the Company and the Bookrunner that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (G) represents and warrants to the Company and the Bookrunner that he is not, nor is he applying on behalf of any person who is: (a) located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for New Ordinary Shares is prevented by law, and (b) he is not applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territory or any jurisdiction in which the

application for New Ordinary Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- (H) represents and warrants to each of the Company and the Bookrunner that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (J) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the Articles.

5.7 *Money Laundering Regulations*

To ensure compliance with the Money Laundering Regulations, Equiniti may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the 'verification of identity requirements'). If an application is made by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Equiniti. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment (the 'applicant'), including any person who appears to Equiniti to be acting on behalf of some other person, shall thereby be deemed to agree to provide Equiniti with such information and other evidence as Equiniti may require to satisfy the verification of identity requirements. Submission of an Application Form shall constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of remittance and an undertaking by the applicant to provide promptly to Equiniti such information as may be specified by Equiniti as being required for the purpose of the Money Laundering Regulations.

If Equiniti determines that the verification of identity requirements apply to any applicant or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. Equiniti is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and neither Equiniti nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, Equiniti has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

The verification of identity requirements will not usually apply if:

- (A) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (B) the applicant is an organisation required to comply with the EU Money Laundering Directive (No. 91/308/EEC) as amended by Directives 2001/97/EC and 2005/60/EC;
- (C) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations;

- (D) the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA state which imposes requirements equivalent to those laid down in that directive; or
- (E) the aggregate subscription price for the relevant Open Offer Shares is less than 15,000 Euros (or its Sterling equivalent).

Submission of the Application Form with the appropriate remittance will constitute a warranty to each of the Company and the Bookrunner from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft, is drawn on a branch of a bank or building society in the UK and bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, which are recommended to be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Equiniti Limited re: McKay Securities plc Open Offer" and crossed "A/C payee only". Third party cheques may not be accepted except for building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application;
- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in section (B) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, Japan, Mexico, Luxembourg, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the US), the agent should provide written confirmation that it has that status with the Application Form(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Equiniti and/or any relevant regulatory or investigatory authority; or
- (iii) if an Application Form is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

To confirm the acceptability of any written assurance referred to in section (ii) above, or in any other case, the applicant should contact Equiniti on 0871 384 2988 (overseas callers should use +44 (0) 121 415 0088). Calls cost 8p per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday. Other providers' costs may vary and international call charges will apply if you are calling from outside the United Kingdom.

5.8 *Issue of Open Offer Shares in certificated form*

Definitive share certificates in respect of the Open Offer Shares to be held in certificated form are expected to be despatched by post on or around 20 February 2014, at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed on the Application Form).

6. Action to be taken in relation to Open Offer Entitlements credited in CREST

6.1 General

Save as provided in section 9 of this Part 2 in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his Open Offer Entitlements equal to the maximum number of Open Offer Shares for which he is entitled to subscribe for under the Open Offer.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held at the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders by 30 January 2014 or such later time as the Company shall decide, Application Forms shall, unless the Company agrees otherwise, be sent out in substitution for the Open Offer Entitlements which have not been so credited and the expected timetable as set out in this document may be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

Qualifying CREST Shareholders who wish to take up all or part of their entitlements in respect of Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement, as only your CREST sponsor will be able to take the necessary action to take up your entitlements in respect of Open Offer Shares. If you have any queries on the procedure for acceptances and payment, you should contact Equiniti on 0871 384 2988 (overseas callers should use +44 (0) 121 415 0088). Calls cost 8p per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday. Other providers' costs may vary and international call charges will apply if you are calling from outside the United Kingdom.

In accordance with the instructions in this Part 2, the CREST instruction must have been settled by **11.00 a.m. on 13 February 2014.**

6.2 Bona fide market claims

The Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction.

6.3 USE Instructions

Qualifying CREST Shareholders who are CREST members and who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE Instruction to CREST which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

6.4 ***Content of USE Instructions in respect of Open Offer Entitlements***

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00BJ4W2R63;
- (iii) the CREST participant ID of the CREST member;
- (iv) the CREST member account ID of the CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 2RA37;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is RA155401;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 13 February 2014;
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;
- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 13 February 2014. CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 13 February in order to be valid is 11.00 a.m. on that day.

If the conditions to the Open Offer are not fulfilled at or before 11.00 a.m. on 19 February 2014, or such other time and/or date as may be agreed between the Company and the Bookrunner, the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest as soon as practicable thereafter.

The interest earned on such monies, if any, will be retained for the benefit of the Company.

6.5 ***CREST procedures and timings***

Qualifying CREST Shareholders who are CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the Qualifying CREST Shareholder concerned to take (or, if the Qualifying CREST Shareholder is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 13 February 2014. Qualifying CREST Shareholders and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

6.6 *Validity of application*

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by not later than 11.00 a.m. on 13 February 2014 will constitute a valid application under the Open Offer.

6.7 *Incorrect or incomplete applications*

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the CREST member in question (without interest); or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest).

6.8 *Effect of application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants to each of the Company and the Bookrunner that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for New Ordinary Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with each of the Company and the Bookrunner to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay the amount payable on application);
- (iii) agrees with each of the Company and the Bookrunner that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations relating thereto, shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms that in making the application he is not relying and has not relied on the Bookrunner or any other person affiliated with the Bookrunner in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (v) confirms to each of the Company and the Bookrunner that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, including any documentation incorporated by reference, he will be deemed to have had notice of all the information contained in this document (including information incorporated by reference);

- (vi) represents and warrants to the Company and the Bookrunner that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) represents and warrants to each of the Company and the Bookrunner that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (viii) represents and warrants to the Company and the Bookrunner that he is not, nor is he applying on behalf of any person who is: (a) located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for New Ordinary Shares is prevented by law; and (b) applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is located, a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Excluded Territory or any jurisdiction in which the application for New Ordinary Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (x) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the Articles; and
- (xi) represents and warrants to each of the Company and the Bookrunner that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

6.9 ***Discretion as to rejection and validity of acceptances***

The Company may:

- (i) reject any acceptance constituted by a USE Instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in section 6.8 of this Part 2 (*Terms and Conditions of the Capital Raising*). Where an acceptance is made as described in this section 6 which is otherwise valid, and the USE Instruction concerned fails to settle by 11.00 a.m. on 13 February 2014 (or by such later time and date as the Company and the Bookrunner may determine), the Company shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this section 6.9(i), that there has been a breach of the representations, warranties and undertakings set out or referred to in section 6.8 of this Part 2 above unless the Company is aware of any reason outside the control of the Qualifying CREST Shareholder or CREST sponsor (as appropriate) concerned for the failure of the USE Instruction to settle;
- (ii) treat as valid (and binding on the Qualifying CREST Shareholder concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this section 6 of Part 2;
- (iii) accept an alternative properly authenticated dematerialised instruction from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, a USE Instruction and subject to such further terms and conditions as the Company may determine;
- (iv) treat a properly authenticated dematerialised instruction (in this section 6.9(iv), the 'first instruction') as not constituting a valid acceptance if, at the time at which Equiniti receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Equiniti has received actual notice from Euroclear of any of the matters

specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

- (v) accept an alternative instruction or notification from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of a USE Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any Qualifying CREST Shareholder or (where applicable) CREST sponsor a Qualifying CREST Shareholder is unable validly to take up all or part of his Open Offer Entitlement by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Equiniti in connection with CREST.

6.10 *Money Laundering Regulations*

If you hold your Existing Ordinary Shares in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, Equiniti is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. Such Qualifying CREST Shareholders must therefore contact Equiniti before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of an USE Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to the Company and the Bookrunner to provide promptly to Equiniti any information Equiniti may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Equiniti as to identity, Equiniti, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the USE Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, Equiniti will not permit the USE Instruction concerned to proceed to settlement (without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence).

6.11 *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, (in the case of a deposit into CREST) as set out in the Application Form.

A Qualifying Non-CREST Shareholder who wishes to make such a deposit should sign and complete Box 9 of their Application Form, entitled 'CREST Deposit Form' and then deposit their Application Form with the CREST courier and sorting service. In addition, the normal CREST stock deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST transfer form (as prescribed under the Stock Transfer Act 1963) with the CREST courier and sorting service and (b) only the Open Offer Entitlement shown in Box 2 of the Application Form may be deposited into CREST.

If you have received your Application Form by virtue of a *bona fide* market claim, the declaration in Box 6 must be completed or (in the case of an Application Form which has been split) marked 'Declaration of sale or transfer duly made'. If you wish to take up your Open Offer Entitlement, the CREST Deposit Form in Box 9 of your Application Form must be completed and deposited with the

CREST courier and sorting service in accordance with the instructions above. A holder of more than one Application Form who wishes to deposit Open Offer Entitlements shown on those Application Forms into CREST must complete Box 9 of each Application Form.

In particular, having regard to normal processing times in CREST and on the part of Equiniti, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as an Open Offer in CREST, is 3.00 p.m. on 10 February 2014. CREST holders inputting the withdrawal of their Open Offer Entitlement from their CREST account must ensure that they withdraw their Open Offer Entitlement.

Delivery of an Application Form with the CREST deposit form duly completed, whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Equiniti by the relevant CREST member(s) that it is/they are not in breach of the provisions of the notes under the paragraph headed Application Letter on page 3 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it is/they are not located in, or citizen(s) or resident(s) of, any Excluded Territory or any jurisdiction in which the application for New Ordinary Shares is prevented by law and, where such deposit is made by a beneficiary or a market claim, a representation and warranty that the relevant CREST member(s) is/are are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

6.12 *Right to allot and issue New Ordinary Shares in certificated form*

Despite any other provision of this document, the Company reserves the right to allot and to issue any New Ordinary Shares under the Open Offer in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by Equiniti in connection with CREST.

7. Taxation

Information on taxation with regard to the Capital Raising for Qualifying Shareholders and Placees resident in the United Kingdom for tax purposes is set out in Part 10 (*United Kingdom Taxation*) of this document. The information contained in Part 10 (*United Kingdom Taxation*) is intended only as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders and Placees should consult their own tax advisers regarding the tax treatment of the Capital Raising in light of their own circumstances. Those who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers immediately.

8. Withdrawal rights

Qualifying Shareholders wishing to exercise the withdrawal rights under section 87Q(4) of FSMA after the issue by the Company of a prospectus supplementing this document (if any) must do so by lodging a written notice of withdrawal, which shall not include a notice sent by facsimile or any other form of electronic communication, that must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a Qualifying CREST Shareholder, the participant ID and the member account ID of such Qualifying CREST Shareholder at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by Equiniti after expiry of such period will not constitute a valid withdrawal. Furthermore, it is the Company's view that Qualifying Shareholders who have validly taken up their entitlements in accordance with the procedure laid down for acceptance and payment in this Part 2 shall not be entitled to withdraw any such acceptance. In such circumstances, any such accepting Qualifying Shareholder, or renounee, wishing to withdraw is advised to seek independent legal advice.

9. Overseas Shareholders

This document has been approved by the FCA, being the competent authority in the UK. Whilst it is expected that Existing Shareholders resident in an EEA State will be able to participate in the Open Offer, **the distribution of this document and the Application Form and the making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom may be affected by the law of the relevant jurisdiction.**

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the UK wishing to participate in the Open Offer to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this section 9 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his, her or its position should consult his, her or its professional adviser without delay.

Neither the Company nor the Bookrunner, nor any of their respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

9.1 *General*

This section sets out the restrictions applicable to Shareholders who have registered addresses outside the UK, who are physically located outside the UK, or who are citizens or residents of countries other than the UK, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK, or who hold Ordinary Shares for the account or benefit of any such person.

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of the Shareholders in the Excluded Territories to participate in the Open Offer due to the time and costs involved in the registration of the document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

The distribution of the Application Form and the making of the Open Offer is not to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of any Excluded Territory or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, any Excluded Territory.

Receipt of this document and/or an Application Form or the crediting of Open Offer Entitlements to a stock account in CREST will not constitute an offer in or into any Excluded Territory, and, in those circumstances, this document and/or an Application Form must be treated as sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use the Application Form or deal with Open Offer Entitlements in CREST unless, in the relevant jurisdiction (other than any Excluded Territories), such an invitation or offer could lawfully be made to him and the Application Form or Open Offer Entitlements in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or an Application Form or whose stock account in CREST is credited with Open Offer Entitlements should not, in connection with the Open Offer, distribute or send the same in or into, or transfer Open Offer Entitlements to any person in or into any Excluded Territory, including the United States. If an Application Form or credit of Open Offer Entitlements in CREST is received by any person in any Excluded Territory, including the United States, or by their agent or nominee in any such territory, he must not seek to take up the entitlements referred to in the Application Form or in this document or renounce the Application Form

or transfer the Open Offer Entitlements in CREST. Any person who does forward this document or an Application Form into any Excluded Territory (whether under contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

The Company may treat as invalid any acceptance or purported acceptance of the Open Offer Entitlements which appears to the Company or their respective agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements or if, in the case of an Application Form, it provides an address for delivery of the definitive share certificates for New Ordinary Shares, or, in the case of a credit of New Ordinary Shares in CREST, the Shareholder's registered address is in an Excluded Territory, including the United States, or if the Company believes or their respective agents believe that the same may violate applicable legal or regulatory requirements.

Despite any other provisions of this document or the Application Form, the Company reserves the right to permit any Overseas Shareholder (other than Excluded Shareholders) to take up his entitlements if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question. If the Company is so satisfied, the Company will arrange for the relevant Overseas Shareholder to be sent an Application Form if he is reasonably believed to be a Qualifying Non-CREST Shareholder or, if he is reasonably believed to be a Qualifying CREST Shareholder, arrange for the CREST Open Offer Entitlements to be credited to the relevant CREST stock account.

Those Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in sections 5 and 6 of this Part 2.

The provisions of section 9 of this Part 2 will apply generally to Excluded Shareholders and other Overseas Shareholders who do not or are unable to take up New Ordinary Shares provisionally allotted to them.

Specific restrictions relating to certain jurisdictions are set out below.

(a) *Offering restrictions relating to the United States*

The New Ordinary Shares have not been and will not be registered under the Securities Act or any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States.

No offering is being made in the United States and neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for, or an offer or an invitation to acquire or subscribe for, any Open Offer Shares in the United States. The Application Forms will not be sent to and the Open Offer Entitlements will not be credited to, a stock account in CREST of any Shareholder with a registered address in the United States.

Application Forms should not be postmarked in the United States or otherwise despatched from the United States, and all persons acquiring Open Offer Shares and wishing to hold such shares in registered form must provide an address for registration of the Open Offer Shares issued upon exercise thereof outside the United States.

None of the New Ordinary Shares, the Form of Proxy, the Application Form, this document and any other document connected with the Open Offer have been or will be approved or disapproved by the United States Securities and Exchange Commission or by the securities commissions of any state or other jurisdiction of the United States or any other regulatory authority, nor have any of the foregoing authorities or any securities commission passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Form of Proxy, the Application Form, or the accuracy or adequacy of this document or any other document connected with this Open Offer. Any representation to the contrary is a criminal offence in the United States.

Any person who subscribes for Open Offer Shares will be deemed to have declared, represented, warranted and agreed, by accepting delivery of this document or the Application Form or by applying for Open Offer Shares in respect of Open Offer Entitlements credited to a stock account in CREST, and delivery of the Open Offer Shares, to the representations and warranties set out in section 10 of this Part 2.

The Company reserves the right, in its absolute discretion, to treat as invalid any Application Form: (i) that appears to the Company or its agents to have been executed in or despatched from the United States; or (ii) where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements, and the Company shall not be bound to issue any Open Offer Shares in respect of any such Application Form. In addition, the Company reserves the right, in its absolute discretion, to reject any USE Instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Open Offer Shares.

(b) *Australia, New Zealand and Switzerland*

Due to restrictions under the securities laws of Australia, New Zealand and Switzerland, subject to certain limited exceptions, no copies of this document and no Application Forms will be sent to, and no Open Offer Entitlements will be credited to a stock account in CREST of, Shareholders who have registered addresses in or are resident in, and the Open Offer may not be transferred or sold to or renounced or delivered in, Australia, New Zealand and Switzerland or any other Excluded Territory. Accordingly, no offer of Open Offer Shares or Open Offer Entitlements is being made by way of this document or any Application Form to such Shareholders.

(c) *Other overseas territories*

Application Forms will be posted to Qualifying Non-CREST Shareholders (other than those Qualifying Non-CREST Shareholders who have registered addresses in the Excluded Territories) and Open Offer Entitlements will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than those Qualifying CREST Shareholders who have registered addresses in the Excluded Territories). No offer of or invitation to subscribe for Open Offer Shares is being made by virtue of this document or the Application Form into the Excluded Territories. Overseas Shareholders in jurisdictions other than the Excluded Territories may, subject to the laws of their relevant jurisdiction, accept their entitlements under the Open Offer in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form.

Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Entitlements. If you are in any doubt as to your eligibility to accept the offer of Open Offer Shares, you should contact your appropriate professional adviser immediately.

(d) *EEA States (other than the UK)*

In relation each EEA State which has implemented the Prospectus Directive (except for the UK), (each, a “**relevant member state**”), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “**relevant implementation date**”), no New Ordinary Shares have been offered or will be offered pursuant to the Open Offer to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the

relevant implementation date, offers of New Ordinary Shares may be made to the public in that relevant member state at any time:

- (i) to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (ii) to fewer than 100, or if the relevant member state has implemented the relevant amending directive (2010/73/EU), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Ordinary Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression “an offer of any New Ordinary Shares to the public” in relation to any Open Offer Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Open Offer and any Open Offer Shares to be offered so as to enable an investor to decide to acquire any Open Offer Shares as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

10. Representations and warranties relating to overseas territories

(a) *Qualifying Non-CREST Shareholders*

Any person accepting an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company that, except where proof has been provided to the Company’s satisfaction that such person’s use of the Application Form will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting Application Form from within the United States or any other Excluded Territory; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within the United States or any other Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept or renounce was given; and (iv) such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into the United States or any other Excluded Territory or any territory referred to in (ii) above.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in, or renunciation or purported renunciation of, an Application Form if it: (a) appears to the Company to have been executed in or despatched from the United States or any other Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if the Company believes the same may violate any applicable legal or regulatory requirement; (b) provides an address of any Excluded Territory, including the United States, for delivery of definitive share certificates for Open Offer Shares (or any jurisdiction outside the UK in which it would be unlawful to deliver such certificates); or (c) purports to exclude the representation and warranty required by this section.

(b) *Qualifying CREST Shareholders*

A Qualifying CREST Shareholder who makes a valid acceptance in accordance with the procedure set out in section 6 of this Part 2 represents and warrants to the Company that, except where proof has been provided to the Company’s satisfaction that such person’s acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) he is not within any of the Excluded Territories, including the United States; (ii) he is not in any territory in which it is unlawful to make or accept an offer to acquire or subscribe for New Ordinary Shares; (iii) he is not acting on a non-discretionary basis for a person located within the United States or any other Excluded Territory

or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into the United States or any other Excluded Territory or any territory referred to in (ii) above.

The Company may treat as invalid any USE Instruction which: (a) appears to the Company to have been despatched from the United States or any other Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or which they or their agents believe may violate any applicable legal or regulatory requirement; or (b) purports to exclude the representation and warranty required by this section.

11. Waiver

The provisions of sections 9 and 10 of this Part 2 and of any other terms of the Open Offer relating to Excluded Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of sections 9 and 10 of this Part 2 supersede any terms of the Open Offer inconsistent herewith. References in sections 9 and 10 of this Part 2 and in this section 11 of Part 2 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this section 11 of Part 2 shall apply jointly to each of them.

12. Times and dates

The Company shall in its discretion be entitled to amend or extend any of the dates set out in this document in respect of the Capital Raising, including, without limitation, the date that Application Forms are despatched or dealings in New Ordinary Shares commence and the latest date for acceptance under the Open Offer and all related dates set out in this document. In such circumstances the Company shall announce such amendment via a Regulatory Information Service and, if appropriate, notify Shareholders.

13. Governing law

The terms and conditions of the Capital Raising as set out in this document and the Application Form shall be governed by, and construed in accordance with, the laws of England.

14. Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any dispute, whether contractual or non-contractual, which may arise out of or in connection with the Capital Raising, this document and/or the Application Form. By accepting entitlements under the Open Offer in accordance with the instructions set out in this document (and, in the case of Qualifying Non-CREST Shareholders only, the Application Form) each Qualifying Shareholder irrevocably submits to the exclusive jurisdiction of the courts of England and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART 3

QUESTIONS AND ANSWERS ON THE CAPITAL RAISING

The questions and answers set out in this Part 3 are intended to be generic guidance only and, as such, you should also read Part 2 (*Terms and Conditions of the Capital Raising*) of this document for full details of what action you should take. If you are in any doubt about the action to be taken, you are recommended to seek your own personal financial advice immediately from your stockbroker, solicitor, accountant, bank manager or other appropriate independent financial adviser duly authorised under FSMA. The attention of Overseas Shareholders is drawn to section 9 of Part 2 (*Terms and Conditions of the Capital Raising*) of this document.

This Part 3 deals with general questions relating to the Placing and Open Offer, as well as more specific questions about the Open Offer relating to Ordinary Shares held by persons resident in the UK who hold their Ordinary Shares in certificated form only. If you hold your Ordinary Shares in uncertificated form (that is, through CREST) your attention is drawn to Part 2 (*Terms and Conditions of the Capital Raising*) of this document which contains full details of what action you should take. If you are a CREST sponsored member, you should consult your CREST sponsor.

If you do not know whether your Ordinary Shares are held in certificated or uncertificated form, please call Equiniti on 0871 384 2988 (overseas callers should use +44 (0) 121 415 0088). Calls cost 8p per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday.

1. What is the Placing and Open Offer?

A placing and open offer is a way for companies to raise money. They usually do this by giving their existing shareholders a right to subscribe for further shares at a fixed price in proportion to their existing shareholdings (an open offer) and providing for new investors to subscribe for new shares in the company (a placing) to the extent that they are not taken up under the open offer. The fixed price is normally at a discount to the closing mid-market price of the existing ordinary shares prior to the announcement of the open offer.

2. What is the Company's Open Offer?

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to subscribe for an aggregate of 45,879,174 Open Offer Shares at a price of 189 pence per Open Offer Share. If you held Ordinary Shares at the Record Date or have a *bona fide* market claim, have not sold all of your Ordinary Shares prior to the Ex-entitlement Date and are not a Shareholder located in any Excluded Territory (for further information, see section 9 of Part 2 (*Terms and Conditions of the Capital Raising*) of this document, you will be entitled to subscribe for Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1 New Ordinary Share for every 1 Existing Ordinary Share held by Qualifying Shareholders (other than Excluded Shareholders) at the Record Date. Open Offer Shares are being offered to Qualifying Shareholders in the Open Offer at a discount to the closing mid-market share price on the last Dealing Day before the details of the Capital Raising were announced. The Offer Price of 189 pence per New Ordinary Share represents a 1.0 per cent. discount to the Closing Price of 191 pence on 28 January 2014.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements will be not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim.

New Ordinary Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights, and will not receive any benefit under, the Open

Offer. Any New Ordinary Shares which are not applied for under the Open Offer may be issued to the Placees, with the proceeds retained for the benefit of the Company.

However, Shareholders should note that the Capital Raising is conditional upon: (i) the Resolutions having been passed by Shareholders at the General Meeting; (ii) the Placing Agreement becoming unconditional in all respects save for the condition relating to Admission and not having been terminated in accordance with its terms before Admission occurs; and (iii) Admission having become effective by not later than 8.00 a.m. on 19 February 2014 (or such later time and/or date as the Bookrunner may agree, not being later than 28 February 2014).

3. When will the Placing and Open Offer take place?

The Placing and Open Offer is subject to Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 19 February 2014 (or such later time and/or date as the Bookrunner may agree, not being later than 28 February 2014).

4. What is an Application Form?

It is a form sent to those Qualifying Shareholders who hold their Ordinary Shares in certificated form. It sets out your entitlement to subscribe for the Open Offer Shares and is a form which you should complete if you want to participate in the Open Offer.

5. What if I have not received an Application Form?

If you have not received an Application Form and you do not hold your Ordinary Shares in CREST, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Shareholders, however, will not receive an Application Form but may still be able to participate in the Open Offer, including:

- (A) Qualifying CREST Shareholders; and
- (B) Qualifying Non-CREST Shareholders who bought Ordinary Shares before the Ex-entitlement Date but were not registered as the holders of those Ordinary Shares at the close of business on the Record Date (see question 6 below).

6. If I buy Ordinary Shares before 30 January 2014 (the Ex-entitlement Date) will I be eligible to participate in the Open Offer?

If you buy Ordinary Shares before the Ex-Entitlement Date but you are not registered as the holder of those Ordinary Shares at 24 January 2014 (the Record Date) you may still be eligible to participate in the Open Offer. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. You will not be entitled to the Open Offer Shares in respect of any Ordinary Shares acquired on or after the Ex-entitlement Date.

7. I hold my Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?

CREST members should follow the instructions set out in Part 2 (*Terms and Conditions of the Capital Raising*) of this document. Persons who hold Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Ordinary Shares of the number of New Open Offer Shares which they are entitled to take up under the Open Offer and should contact them if they do not receive this information.

8. I hold my Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?

If you receive an Application Form and are not a holder with a registered address in an Excluded Territory, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Ordinary Shares before the Ex-entitlement Date.

9. I hold my Ordinary Shares in certificated form. How do I know how many New Ordinary Shares I am entitled to take up?

If you hold your Ordinary Shares in certificated form and, subject to certain limited exceptions, do not have a registered address in any of the Excluded Territories, you will be sent an Application Form that shows:

- In Box 1, how many Ordinary Shares you held at the Record Date;
- In Box 2, how many New Ordinary Shares are comprised in your Open Offer Entitlement; and
- In Box 3, how much you need to pay in sterling if you want to take up your right to subscribe for all your Open Offer Entitlement.

If you would like to apply for any or all of the New Ordinary Shares comprised in your Open Offer Entitlement, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be posted, along with a cheque or banker's draft drawn in the appropriate form, in the accompanying pre-paid envelope or during normal business hours, by hand to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 13 February 2014, after which time Application Forms will not be valid.

10. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?

(a) *If you do not want to take up your Open Offer Entitlement*

If you do not want to take up your Open Offer Entitlement you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money if the Open Offer Shares you could have taken up are sold, as would happen under a rights issue provided the price at which they are sold exceeds the costs and expenses of effecting the sale. You cannot sell your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11.00 a.m. on 13 February 2014, we have made arrangements under which we may issue the New Ordinary Shares comprising your Open Offer Entitlement to the Placees. Shareholders are, however, encouraged to vote at the General Meeting by attending in person or completing and returning the Form of Proxy enclosed with this document. You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference (SRN) printed on the Form of Proxy.

If you do not take up any of your Open Offer Entitlement then assuming 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising, your interest in the Company will be diluted by 50 per cent.

(b) *If you want to take up some but not all of the New Ordinary Shares under your Open Offer Entitlement*

If you want to take up some but not all of the New Ordinary Shares under your Open Offer Entitlement, you should write the number of Open Offer Shares you want to take up in Box 4 of your Application Form; for example, if you have an Open Offer Entitlement for 50 New Ordinary Shares but you only want to apply for 25 New Ordinary Shares, then you should write '25' in Box 4. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '25') by 189 pence giving you an amount of £47.25 in this example.

You should write this total sum in Box 5, and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form, together with a cheque or banker's draft for that amount, in the accompanying pre-paid envelope by post to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 13 February 2014, after which time Application Forms will not be valid.

All payments should be in Sterling and made by cheque or banker's draft made payable to "Equiniti Limited re: McKay Securities plc Open Offer" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of Cheque & Credit Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner and must be for the full amount payable on application. Post-dated cheques will not be accepted.

Cheques drawn on a non-UK bank will be rejected. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Cheques or banker's drafts will be presented for payment upon receipt. Payments via CHAPS, BACS or electronic transfer will not be accepted. The Company reserves the right to instruct Equiniti to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched on or around 20 February 2014.

(c) ***If you want to take up all of your Open Offer Entitlement***

If you want to take up all of the New Ordinary Shares to which you are entitled, all you need to do is sign page 1 of the Application Form (ensuring that all joint holders sign (if applicable)) and send the Application Form, together with your cheque or banker's draft for the amount (as indicated in Box 3 of your Application Form), payable to "Equiniti Limited re: McKay Securities plc Open Offer" and crossed "A/C payee only", in the accompanying pre-paid envelope by post to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 13 February 2014, after which time Application Forms will not be valid. If you post your Application Form, it is recommended that you allow sufficient time for delivery.

11. I am a Qualifying Shareholder, do I have to apply for all the Open Offer Shares I am entitled to apply for?

You can take up any number of the New Ordinary Shares allocated to you under your Open Offer Entitlement. Your maximum Open Offer Entitlement is shown on your Application Form. Any applications by a Qualifying Shareholder for a number of Open Offer Shares which is equal to or less than that person's Open Offer Entitlement will be satisfied, subject to the Open Offer becoming unconditional. If you decide not to take up all of the New Ordinary Shares comprised in your Open Offer Entitlement, then your proportion of the ownership and voting interest in the Company will be reduced. Please refer to answers (a), (b) and (c) of question 10 for further information.

12. Will I be taxed if I take up my entitlements?

If you are resident in the United Kingdom for tax purposes, you will not have to pay UK tax when you take up your right to receive New Ordinary Shares, although the Placing and Open Offer may affect the amount of UK tax you pay when you sell your Existing Ordinary Shares.

Further information for Qualifying Shareholders resident in the United Kingdom for tax purposes is contained in Part 10 (*United Kingdom Taxation*) of this document. Shareholders who are in any doubt as to

their tax position or who are subject to tax in any jurisdiction other than the United Kingdom should consult their professional advisers immediately.

13. What should I do if I live outside the United Kingdom?

Your ability to apply to subscribe for Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in any Excluded Territory are not eligible to participate in the Open Offer. Your attention is drawn to the information in section 9 of Part 2 (*Terms and Conditions of the Capital Raising*) of this document.

14. What should I do if I need further assistance?

If you have any other questions, please telephone Equiniti on 0871 384 2988 (overseas callers should use +44 (0) 121 415 0088. Calls cost 8p per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday. Other providers' costs may vary and international call charges will apply if you are calling from outside the United Kingdom. Please note that, for legal reasons, Equiniti are only able to provide information contained in this document (other than information relating to the Company's register of members) and, as such, will be unable to give advice on the merits of the Placing and Open Offer or to provide financial advice. Equiniti staff can explain the options available to you, which forms you need to fill in and how to fill them in correctly.

Your attention is drawn to the further terms and conditions in Part 2 (*Terms and Conditions of the Capital Raising*) of this document.

The contents of this document or any subsequent communication from the Company or Oriel or any of their respective affiliates, officers, directors, employees or agents are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

PART 4

INFORMATION ON MCKAY

The selected historical financial information and other historical financial information in relation to the Group referred to in this Part 4 has, unless otherwise stated, been extracted without material adjustment from the audited historical financial information of the Group for the financial years ended 31 March 2011, 31 March 2012 and 31 March 2013 which has been prepared in accordance with IFRS as well as the unaudited interim results for the six months ended 30 September 2013 and is set out in Part 6 (Historical Financial Information Relating to McKay) of this document.

Investors should read the whole of this document and the documents incorporated herein by reference and should not just rely on the financial information set out in this Part 4.

1. Introduction

McKay is a Real Estate Investment Trust (“REIT”) with a premium listing on the London Stock Exchange and admitted to trading on the London Stock Exchange’s main market for listed securities.

The Group invests in and develops quality buildings within the established markets of South East England and London.

The Group’s strategy is to grow the capital value of, and receive income from its portfolio of predominantly office and industrial properties. Properties are typically held for long term gain and are actively managed to maximise income potential.

The Group’s property portfolio consists of 36 commercial properties, located entirely within South East England and London, with an aggregate valuation of £236.30 million as at 17 January 2014.

2. History

The Company was founded by G.F. McKay and incorporated in 1946. The Company became a public company and was admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities on 22 July 1959.

After listing in 1959, the Group moved into the London residential market, acquiring blocks of flats which were refurbished and let on short term tenancies. From the late 1960’s, the Group’s policy on investment moved from a focus on residential to commercial, and since then the Group has concentrated on growth through the development, refurbishment and retention of its own commercial schemes, predominantly in the South East of England and London.

Since flotation, the Company has undertaken only one capital issue; a rights issue in July 1980, raising £3.5 million. Otherwise, the Company’s growth has been entirely organic.

Following shareholder approval on 28 February 2007, the Group converted to a REIT on 1 April 2007.

The three Executive Directors have a combined 28 years with the Group. Simon Perkins and Steven Mew joined the Group in 2000 and 2001, on retirement of the previous McKay management, and Giles Salmon joined the Group in 2011. This has provided the Directors with the opportunity to build up extensive knowledge and contacts in the South East and London markets, enhanced by the fact that the Group is the only REIT operating solely in these areas.

3. Business Overview

For further information on the risks relating to the Company’s existing business your attention is drawn to the “Risk Factors” section of this document.

3.1 *Principal activities*

McKay is a commercial property investment company with REIT status, specialising in the established and proven markets of South East England and London. The Group's business model is based on generating rental and capital growth from an active approach to the development, refurbishment and management of a portfolio of quality buildings predominantly within the office and industrial sectors.

Recurring income from the portfolio underpins profits, which are supplemented by gains from the sale of investment properties. Disposal proceeds are recycled into new acquisitions with enhanced growth prospects, whilst an appropriate level of financial gearing is maintained.

The Group has built up a portfolio of good quality assets, concentrated in these resilient established markets. McKay's activities are carried out by an experienced in house team, all located in Reading. This is a cost effective and central location, enabling the Group to actively manage its properties with the assistance of known and trusted local property professionals.

3.2 *Existing property portfolio*

As at 17 January 2014 (the "**Valuation Date**"), the Group's portfolio consisted of 36 properties, valued independently at £236.30 million, split into three main sectors (by value):

- South East offices (41.7 per cent.);
- Central London offices (32.4 per cent.); and
- South East industrial (20.7 per cent.).

3.3 *Rental Income*

As at the Valuation Date, the valuers' estimate of market rental value of the portfolio as a whole, net of ground rents, was £17.84 million. Contracted annual rental income (net of ground rents) at the same date was £16.70 million, with the reversionary potential of £1.14 million predominantly accounted for by vacant portfolio properties.

As at the Valuation Date, the portfolio occupancy rate was 89.4 per cent. (30 September 2013: 89.1 per cent.). The weighted average lease term of the portfolio was 5.6 years and 4.6 years to the earlier of lease break and expiry (30 September 2013: 6.0 years and 4.9 years).

At the Valuation Date, the initial yield of the portfolio was 5.8 per cent. (30 September 2013: 5.6 per cent.) increasing to 6.8 per cent. (30 September 2013: 6.7 per cent.) on contracted rents once letting incentives expire. The potential reversionary yield was 7.1 per cent. (30 September 2013: 7.2 per cent.).

For further information please refer to the Property Valuation Report set out in Part 8 (*Property Valuation Report*) of this document.

3.4 *Recent acquisitions and disposals*

The Group retained headroom under its banking facilities throughout the financial downturn, enabling it to make acquisitions without the need to seek consents from lenders and leaving it well placed to compete with other prospective purchasers. The Group was therefore able to make purchases that provide potential for capital returns. In addition, the disposal of 100 Bothwell Street, Glasgow, at a sale price of £16.79 million in January 2013 has enabled the reinvestment of proceeds into the Group's core markets.

The Group's investment strategy is to acquire growth assets within its core markets with the potential to deliver capital and income returns from development, refurbishment and management. Current market conditions provide the potential to benefit both from individual asset gains resulting from active management and from improving rental values driven by increasingly constrained supply.

Five freehold acquisitions totalling £18.5 million have been made since April 2012 that have all met these objectives. These properties are:

- *Pinehurst Park, Farnborough*: acquired in April 2012 for £3.50 million. The property consists of a 2.8 acre site comprising a 50,200 sq ft office building and a 13,400 sq ft former convent. The Group secured the early release of value by the disposal of the convent for a residential conversion for £1.24 million in April 2012, having secured planning consent for the change of use to residential. Income from the balance of the site, which also has residential potential, provides a secure running yield in the region of 18.0 per cent. until January 2018;
- *66 Wilson Street, EC2*: acquired in December 2012 for £3.60 million. This attractive late 1980s office building of 12,000 sq ft is prominently located in the increasingly popular area north of Finsbury Square. Having received 12 months of income and secured planning consent for refurbishment, works have now commenced;
- *London Road, Redhill*: acquired in May 2013 for £2.30 million. This off market acquisition comprises a site with significant redevelopment potential. Since acquisition, planning consent has been granted for 14 residential units and for a separate high quality office building totalling 47,000 sq ft. The residential site is to be sold off, and marketing commenced shortly for a letting of the office building;
- *Columbia House, Farnborough*: acquired in July 2013 for £2.90 million. The property is a highly specified warehouse building of 40,450 sq ft, occupied by the same tenant since construction in 2000. The yield at acquisition was 11.1 per cent., providing scope to improve value either by renewing the lease or securing a new letting at an improved rent at lease expiry in May 2015; and
- *1 Crown Square, Woking*: acquired in January 2014 for £6.00 million. Located in central Woking, this multi let office building (51,500 sq ft) was acquired with an income yield of 9.3 per cent. off a low average rental value of £11.60 per sq ft. In addition, it has medium term prospects for refurbishment or redevelopment, either in isolation or with an adjoining property.

3.5 **Current portfolio projects**

Having monitored the markets closely since the financial downturn, the Board is of the opinion that opportunities to commit capital to development and refurbishment projects are becoming increasingly attractive. This is due to improving occupier demand and a shortfall in the supply of new and refurbished buildings. The Group is currently undertaking or is soon to commence the following portfolio refurbishments, which the Directors believe will deliver rental and capital appreciation within the portfolio:

- *Switchback Business Park, Maidenhead*: a 6 month refurbishment programme of Buildings 1 and 4 (10,765 sq ft pre-let) and 6 (4,570 sq ft speculative), to provide upgraded office units with completion anticipated in Spring 2014.
- *66 Wilson Street, London EC2*: the 6 month refurbishment programme commenced in January 2014, and will reposition this prominent office property in an improving area that is set to benefit further from the introduction of Crossrail in 2018.
- *Doncastle House, Bracknell*: having acquired this office building in 2011 (33,600 sq ft) and obtained planning consent for refurbishment, leases in the building have now expired and refurbishment commenced in December 2013. The works will upgrade and reposition this building, which will be marketed on a multi-let basis; and
- *Strawberry Hill House, Newbury*: terms have been agreed for a pre-let of this 1980s office building for medical use. On completion of conversion and expansion works, two medical

practices will take a government-sponsored 25 year lease of the whole building which will total 15,200 sq ft.

To the extent that there has been expenditure on the above projects to date, this has been financed by the Group's existing banking facilities. However, the Group may apply the proceeds of the Capital Raising to complete the projects and/or to accelerate the delivery of the overall programme.

Near term portfolio projects

In addition to the projects noted above, there are a number of other portfolio opportunities to generate income and capital returns through development and refurbishment. The near term projects currently under review by the Board include:

- *London Road, Redhill*: a pre-let marketing campaign is to commence shortly to attract a tenant for the whole or a significant part of the 47,000 sq ft office building. A speculative start on site will be kept under review; and
- *30/32 Lombard Street, EC3*: vacant possession can be obtained from September 2014, providing a window for redevelopment prior to expiry of the existing planning consent in December 2015. This consent permits the replacement of the existing 35,820 sq ft office building with a high quality scheme of circa 58,000 sq ft in a prime City location.

3.6 *Market overview, trends and competition*

Recent improvement in reported economic data has had a positive impact on market sentiment and helped the spread of confidence from London to the South East office and industrial markets in which the Group principally operates. For the first time since the financial crisis in 2008, rental values across the South East office market generally have ceased declining. It is anticipated that rental values in this market are now set to rise, due to improving tenant demand and competition for an increasingly limited supply of good quality buildings. Investors have recognised this potential for rental growth upside outside of London and capital values have started to improve as a result of this increase in demand. Lettings across these markets for 2013 look set to be the highest since 2007 and nearly double the 2012 level of 1.4 million sq ft.

On the supply side, limited development finance, planning constraints and uncertain viability in recent years have all contributed to limited development activity across the Group's markets generally. This is particularly the case in the South East office markets where the supply of Grade A floor space has reduced by 20 per cent. to 6.1 million sq ft over the three year period to September 2013. The vacancy rate for new floor space has reduced to 2.9 per cent. from 4.2 per cent. in September 2010 and in a number of centres there is now very limited new stock available due to a lack of development and refurbishment over the last few years.

There is also an estimated 16.8 million sq ft of lease breaks and expiries over the next three years, generated by longer leases on older buildings coming to an end. Within the South East office segment of the IPD (monthly) Index, 58 per cent. of all buildings were constructed prior to 1995, and it is therefore anticipated that obsolescence will be a major contributor to future demand. The Board anticipates that the failure of services in aging buildings, coupled with the increased importance to tenants of sustainability and other environmental factors, is likely to drive demand for new and refurbished properties.

It is expected that the limited availability of new and refurbished buildings in many centres coupled with structural obsolescence in a major proportion of the existing stock of buildings will limit occupier choice at a time of improving market confidence. The Board anticipates that tenants will want to upgrade at lease break or expiry as a result. This combination of factors is already generating a recovery in rental values.

The Group is well placed to benefit from this expected bottleneck in supply because its existing portfolio of buildings is of good quality, and void properties are positioned to meet the structural and

environmental standards being sought by prospective occupiers. Current and near term portfolio projects will also deliver further high quality office product, which the Board anticipates will enable the Group to benefit from supply constraints and heightened demand.

4. Current trading and prospects

The Group today released its Interim Management Statement for the period from 1 October 2013 to 27 January 2014, which includes the following statements on current trading, trends and prospects:

“Over the period the freehold acquisition of 1 Crown Square, Woking increased the number of assets within the portfolio to thirty-six. This multi-let property, totalling 51,500 sq ft is located in central Woking. It was purchased at a price of £6.00 million, providing an initial yield of 9.3 per cent. from an annual net rent of £588,150. In the short term there is potential to increase the low average rental value of £11.60 psf, with the potential for a more substantial refurbishment or redevelopment in the medium term.

Eight open market lettings were completed over the period within the portfolio totalling 31,430 sq ft, with a combined contracted rent of £0.50 million pa; in line with September 2013 valuation rental values. Lettings included Buildings 1, 3 & 4 at Switchback Office Park, Maidenhead on completion of refurbishment works and the expansion of a tenant into an additional unit at the McKay Trading Estate, Poyle.

At lease break and expiry 50 per cent. of tenants remained in occupation securing contracted rents of £0.63 million pa. The combined rental value of expired leases was £0.48 million, of which 66 Wilson Street, EC2 accounted for £0.28 million. This property, along with office space at Maidenhead and Bracknell, is being refurbished.

Portfolio occupancy (by rental value) remained unchanged at 89 per cent. and there is encouraging interest in a number of properties.

The Group has maintained a sound financial position with £155.0 million of loan facilities secured until at least 2016. Drawn debt increased to £107.0 million (30th September 2013: £100.5 million) due primarily to the acquisition of Woking. The Group has cash and cash equivalents of £0.3 million. Interest rate hedging facilities totalling £105.0 million remain in place.”

5. Key strengths

The Directors believe that the Group is well positioned to take advantage of current market opportunities because:

5.1 Focus on the South East of England and London markets which are set for further rental and capital growth

The Group’s focus on the markets of the South East of England and London is delivering encouraging results. In the opinion of the Directors, the supply constraints and improving demand in the South East office markets provide the best prospects for rental growth since the financial downturn. It is expected that increasing obsolescence of properties in the market and anticipated future lease breaks, coupled with improving sentiment, will likely increase the demand for new stock. Whilst the Group has some stock to take advantage of these improving market conditions, the Directors believe there are additional opportunities for capital appreciation and rental growth that McKay could exploit if the Group’s current balance sheet position is further strengthened as a result of the Capital Raising.

5.2 Market knowledge and experienced management

The Group has a highly experienced management team, many of whom have served as directors of the Group for a significant period of time. They have an excellent understanding of the Group’s core markets, and have a well established network of contacts and advisers. The Group’s management team has a demonstrable track record of acquiring and refurbishing, or developing and then leasing the properties to generate income and capital gains.

As supply continues to contract and demand begins to increase, the Company's management team have identified further opportunities to add value for Shareholders through targeted acquisitions, developments and refurbishment projects.

5.3 *Optimum and appropriate financing of the business*

As at 30 September 2013, the Group had £155.0 million of facilities, of which drawn debt totalled £100.5 million. The notional value of interest rate swaps was £105.0 million. The ratio of drawn debt to portfolio value was 44.5 per cent. and the gearing ratio of borrowing to shareholders' funds, adjusted in accordance with the Group's banking covenants, was 85.0 per cent. The Group is well within the financial covenants in its banking facilities, and has retained this position throughout the financial downturn. The Capital Raising would improve headroom under those banking facilities and enable the Company to better utilise the favourable terms provided by its existing facilities, in order to realise value from the portfolio, and pursue acquisition opportunities, whilst maintaining an appropriate level of gearing.

6. REIT status

On 1 April 2007, the Group converted to a REIT. As a REIT, the Group's wholly owned business is exempt from tax on rental income and capital gains derived from its UK investment property rental business.

As the principal company of a REIT group, the Company is required to distribute to shareholders (as a cash or scrip dividend) at least 90 per cent. of the Group's tax-exempt income profits (calculated using normal tax rules) derived from its property rental business, as a property income distribution (a "PID"). Basic rate income tax, currently 20 per cent., is withheld from PIDs. Certain classes of Shareholder may be able to claim exemption from this withholding tax and others can reclaim the tax withheld. For further information see Part 10 (*United Kingdom Taxation*) of this Prospectus.

Under the REIT regime, a tax charge may be levied if the Company makes a distribution to another company which is beneficially entitled (directly or indirectly) to 10 per cent. or more of the shares or dividends in the Company, or controls (directly or indirectly) 10 per cent. or more of the voting rights in the Company, unless the Company has taken reasonable steps to avoid such a distribution being paid. The provisions of the Articles are intended to give the Board the powers it needs to demonstrate to HMRC that such reasonable steps have been taken. These provisions are consistent with the guidance published by HMRC.

The principal implications for the Group of being a REIT are as follows:

- The Group no longer has to pay tax on profits and gains in respect of its qualifying property rental business, and the need to provide for deferred tax on valuation surpluses is removed, thereby increasing shareholders' funds.
- Continued compliance with the specified conditions of the REIT regime will be required in order to maintain the tax benefits of REIT status, in particular:
 - the 90 per cent. distribution test (as mentioned above); and
 - the "balance of business" tests, under which broadly, 75 per cent. of the assets and income profits of the Group must be attributable to property rental business.

Part 12 (*Additional Information*) of this Prospectus contains more detailed discussion of the Articles.

The Board believes that the Group will continue to meet the conditions for REIT status for this financial year.

PART 5

OPERATING AND FINANCIAL REVIEW RELATING TO THE GROUP

The following operating and financial review should be read in conjunction with (i) Parts 6 and 7 of this document, (ii) the Group's audited financial statements contained in the Annual Report and Accounts of the Group for each of the financial years ended 31 March 2011, 2012 and 2013, which have been prepared in accordance with IFRS and (iii) the Group's unaudited financial statements contained in the Interim Report for the six months ended 30 September 2013.

The audited financial statements of the Group for each of the financial years ended 31 March 2011, 2012 and 2013 and the unaudited financial statements for the six months ended 30 September 2013 are incorporated by reference into this document as detailed in Part 6 of this document, including the notes to those financial statements, which have been incorporated by reference into this document. Investors should read the whole of this document and use the documents cited above for reference and should not just rely on the summary information contained in this Part 5.

The following discussion of McKay's results of operations and financial condition contains forward-looking statements. McKay's actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this document, particularly in the Parts headed 'Risk Factors' and 'Forward Looking Statements'.

1. Overview

McKay is a Real Estate Investment Trust ("REIT") specialising in the management and development of commercial office and industrial properties in the South East of England and London. As at 30 September 2013, the Group held a portfolio of 35 commercial properties, valued at £225.87 million and net assets of £92.20 million. The Group holds predominantly offices (76 per cent.) and industrial premises (21 per cent.) (each by value) within its diverse portfolio.

McKay has grown organically since the Group was listed and admitted to trading on the London Stock Exchange's main market for listed securities on 22 July 1959. With the exception of a rights issue in the 1980s, the Group has not undertaken an equity issue. In particular, the Group came through the recent financial downturn without the need to resort to an emergency rights issue, and is currently well positioned in its core markets of the South East and London.

McKay has adopted a progressive dividend policy since 2010.

2. Analysis of Results of Operations

The following table summarises the Group's consolidated results for the three financial years ended 31 March 2011, 2012 and 2013, as well as the interim results for the six month periods to 30 September 2012 and 30 September 2013:

Income Statement Data

	<i>6 months ended</i>		<i>Year ended 31 March</i>		
	<i>30 September</i>		<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>		<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross rents and service charges receivable	8,160	10,272	20,053	20,665	19,054
Surrender premiums received	0	0	0	223	582
Direct property outgoings	(1,861)	(3,041)	(5,680)	(6,899)	(4,893)
Net rental income from investment properties	6,299	7,231	14,373	13,989	14,743
Administration costs	(1,640)	(1,638)	(3,463)	(3,502)	(3,470)
Operating profit before gains on investment properties	4,659	5,593	10,910	10,487	11,273
Profit on disposal of investment properties	(124)	0	1,101	0	11
Profit on disposal of listed investments	0	0	0	0	31
Revaluation of investment properties	8,155	2,028	3,410	233	271
Operating profit	12,690	7,621	15,421	10,720	11,586
Finance cost	10,099	(10,423)	(11,859)	(22,401)	(6,668)
Finance income	4	5	12	16	20
Share of (loss)/profit of associated undertaking	0	95	(1,829)	105	(441)
Profit/(loss) before taxation	22,793	(2,702)	1,745	(11,560)	4,497
Taxation	0	0	0	0	0
Profit/(loss) for the year	22,793	(2,702)	1,745	(11,560)	4,497

In addition to the IFRS measures, the Group has presented an adjusted profit measure as a supplementary measure of performance. Adjusted profit is stated before gains and losses on investment properties, profit on sale of subsidiaries and available for sale investments and movement in interest rate derivatives, as follows:

Adjusted profit before tax

	<i>6 months ended</i>		<i>Year ended 31 March</i>		
	<i>30 September</i>		<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>		<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit/(loss) before tax	22,793	(2,702)	1,745	(11,560)	4,497
Surrender premiums received	0	0	0	(223)	(582)
Change in fair value of derivatives	(13,098)	7,692	6,216	16,891	(5,053)
Movement in revaluation of investment properties	(8,155)	(2,028)	(3,410)	(233)	(271)
Fees incurred on the cancellation of derivative contracts	0	0	0	0	5,928
(Profit)/loss on disposal of investment properties	124	0	(1,101)	0	(11)
Profit on disposal of listed investments	0	0	0	0	(31)
Associated undertaking disposals and revaluation movement	2	(22)	1,968	128	625
Adjusted profit before tax	1,666	2,940	5,418	5,003	5,102

2.1 Revenue

The Group's revenue is derived principally from property rental income and includes the effect of incentives given to tenants spread over the period of the lease. Revenue has grown over the three year period, primarily due to an increase in the number of investment properties from 31 to 33, and portfolio lettings, which led to improved occupancy of 91.4 per cent. in March 2013 (2012: 86.7 per cent.).

All revenues arise within the UK.

2.2 Portfolio rental value

The portfolio market rental value, as estimated by the Group's independent valuers, increased from £17.50 million in March 2011 to £17.90 million in March 2012, reducing to £16.77 million in March 2013 following the sale of 100 Bothwell Street, Glasgow.

As at 30 September 2013, the portfolio market rental value was £17.24 million (2012: £18.60 million).

2.3 Net rental income from investment properties

The net rental income from the Group's investment properties for the three year period under review was as follows:

Year ended 31 March 2011: £14.74 million

Year ended 31 March 2012: £13.99 million

Year ended 31 March 2013: £14.37 million

These movements were due to a number of lease events over the period under review. In the year ended 31 March 2013, 13 leases were renewed, whilst 13 leases lapsed.

For the six months to 30 September 2013, net rental income stood at £6.30 million (2012: £7.23 million). This reduction in rental income, was mainly due to the sale of 100 Bothwell Street,

Glasgow, partially mitigated by the renewal of three leases (the most significant being at Sopwith Drive, Weybridge (62,800 sq ft) which was renewed for a 10 year term at an increased annual rental value of £0.58 million.)

2.4 *Profit/(loss) before taxation*

Profit/(loss) before taxation has fluctuated from a £4.50 million profit in March 2011, to an £11.56 million loss in March 2012, rising to a £1.75 million profit in March 2013. This movement was due to the IFRS accounting requirement to include fair value adjustments as detailed at section 2.10 below.

For the six month period to 30 September 2013 profit before tax was £22.79 million, compared to a loss of £2.70 million in 2012. Contributing to this improvement in headline profit were unrealised gains over the period of £8.49 million (3.9 per cent.) in the value of the Group's property portfolio and £13.10 million in the value of the Group's interest rate hedging instruments.

2.5 *Adjusted profit before tax*

Adjusted profit before tax is the Group's preferred measure of financial performance, since it provides a clearer picture of recurring profits from core rental activities.

Adjusted profits reduced from £5.10 million in March 2011 to £5.00 million in March 2012, due to a decrease in the rental income and increase in direct property costs associated with an increase in voids. Adjusted profit rose to £5.42 million in March 2013, due predominantly to an increase in rental income from the successful letting of one of the Group's large London properties.

For the six months to 30 September 2013 adjusted profit stood at £1.67 million (2012: £2.94 million). This reduction of £1.27 million was mainly due to a reduction in gross rental income from £8.06 million to £7.15 million in the period. This lower level of income was as anticipated at the March 2013 year end, when it was noted that rental income and recurring profits would be lower until reinvestment of the £16.79 million proceeds from the sale of 100 Bothwell Street, Glasgow in February 2013.

2.6 *Administration costs*

Administration costs have remained constant over the three years at £3.47 million for 2011, £3.50 million for 2012 and £3.46 million for 2013. This reflects the Group's tight control on overheads.

The administration costs for the six month period ended 30 September 2013 of £1.64 million remained similar to the corresponding period in 2012.

2.7 *Valuation movements on investment properties*

Valuation movements on investment properties have fluctuated from a £0.27 million increase in March 2011 to a £0.12 million decrease in March 2012, rising to a £3.8 million increase in March 2013. The valuation movements in March 2011 and 2012 broadly reflect changes in occupancy rather than yield shift, while in the financial year ended March 2013 both occupancy and yield rates improved.

For the six months to 30 September 2013 the unrealised valuation movement was an increase of £8.16 million (2012: £2.03 million).

Over the accounting periods under review, valuation gains arose mainly from the Company's London office portfolio. However, during the six month period ended 30 September 2013 the performance has been more balanced, with the Company's London and South East office properties increasing in value by 4.8 per cent. and 2.9 per cent. respectively, and the Company's industrial properties increasing by 4.8 per cent., as compared to March 2013. The gains achieved across the portfolio were due to a

combination of yield shift and improving rental values, which were enhanced significantly where lettings were achieved.

2.8 *Profit on sale of investment property*

Two investment properties have been sold over the period under review. The first was the disposal of 100 Bothwell Street, Glasgow in the year ended 31 March 2013, generating a profit of £1.10 million from proceeds of £16.79 million.

Secondly, in the six month period ended 30 September 2013, sale proceeds of £1.24 million was secured on the disposal of the former convent at Pinehurst Park. This was in excess of the estimate of £0.85 million made at the time of purchase in July 2012. Having achieved planning consent for the conversion of the building to residential use, this sale secured the early release of value from part of Pinehurst Park, which was acquired for £3.50 million.

2.9 *Finance costs*

Finance costs, excluding fair value movements on interest rate derivatives and including capitalised interest, remained relatively constant at £5.80 million for March 2011, £5.64 million for 2012 and £5.73 million for March 2013. The costs reflect the low interest rate environment and low margins on the Group's bank facilities which had an average unexpired term to maturity of 3.7 years at March 2013. For the six months ended 30 September 2013, net interest payable was £3.00 million (2012: £2.73 million).

In 2011, the Group restructured certain of its hedging instruments and incurred a swap cancellation fee of £5.93 million. The effect of the re-structuring was to reduce the notional sum hedged by £50 million to £105 million.

2.10 *Interest rate derivatives fair value*

The negative value of the Group's interest rate swaps increased from £17.48 million at March 2011 to £34.37 million at March 2012, and to £40.59 million at March 2013.

As at 30 September 2013, the negative mark to market value of the interest rate swaps had decreased to £27.5 million. The improvement in the fair value of the Group's interest rate swaps was due to a valuation at the end of the period ended 30 September 2013 reflecting earlier market assumptions for future interest rate increases, and inclusion of £3.08 million in respect of the fair value calculation under new accounting standard IFRS 13. As financial markets begin to price in a return to higher interest rates, the negative value of these instruments will reduce further.

Notice by a counterparty bank has been received stating they will exercise credit breaks (in 2016 and 2017) in respect of £30 million of the total notional sum of £105 million. This will require the mark to market value being paid or received at that time. As a result, the reported EPRA NAV per share for the period ended 30 September 2013, which only excludes the negative value of hedging instruments to be held to expiry, was adjusted from 250 pence to 237 pence.

2.11 *Taxation*

The Group converted to a REIT in April 2007 resulting in tax exemption for all qualifying rental income and gains on sales of investment properties which covers the majority of the Group's activities. The Group has incurred no tax liability on the remaining residual income since conversion to a REIT.

2.12 *Dividends*

An interim dividend of 2.7p per share was paid for each of the years 2011, 2012 and 2013. The Group has paid final dividends of 5.6p per share for 2011, 5.7p for 2012 and 5.8p for 2013, which is reflective of the Group's policy to pay a progressive and prudent dividend.

3. Balance Sheet Analysis

The following table summarises the Group's balance sheet as at 31 March 2013, 2012 and 2011, as well as at 30 September 2012 and 30 September 2013:

	<i>30 September</i>		<i>31 March</i>		
	<i>(Unaudited)</i>				
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment properties	224,345	221,565	211,768	213,227	207,430
Plant and equipment	20	31	24	22	13
Investment in associates	0	1,969	0	1,874	1,814
Cash and cash equivalents	3,827	3,481	2,893	2,584	2,519
Borrowings	(100,234)	(107,672)	(94,209)	(100,124)	(97,313)
Derivative financial liabilities	(27,488)	(42,063)	(40,587)	(34,371)	(17,479)
Finance lease liabilities	(4,407)	(4,408)	(4,408)	(4,408)	(4,409)
Pension fund liabilities	(2,178)	(1,820)	(2,219)	(1,840)	(1,090)
Other assets and liabilities (net)	(1,688)	(2,156)	(1,329)	(2,804)	(1,314)
Net assets	<u>92,197</u>	<u>68,927</u>	<u>71,933</u>	<u>74,160</u>	<u>90,171</u>
Net asset value per share (p)	201	150	157	162	197
EPRA net asset value per share (p)	237	231	238	229	223

3.1 *Investment properties*

The valuation of the Group's Investment properties was £207.4 million at 31 March 2011, £213.2 million as at 31 March 2012 and £211.8 million as at 31 March 2013. As at 30 September 2013 this stood at £224.35 million (2012: 221.57 million).

The movement in the valuation of the property portfolio reflects £9.8 million of property acquisitions made in 2012 and 2013, a £1.1 million valuation uplift in 2013 and a disposal of £16.79 million in the same year.

3.2 *Investments in associates*

Investment in associates was £1.8 million in March 2011, £1.9 million in March 2012 and nil in March 2013, including for the six months to 30 September 2013 (2012: £1.97 million).

In the financial year ended 31 March 2013 the Group changed the accounting of its associate from UK GAAP to IFRS. As a result, the value was reduced to zero to reflect the negative value of the associate's interest rate hedging instruments.

3.3 *Cash and cash equivalents*

Cash and cash equivalents were £2.5 million in March 2011, £2.6 million in March 2012 and £2.9 million in March 2013. As at 30 September 2013 these stood at £3.83 million, an increase on the figure of £3.48 million as at 30 September 2012.

The level of cash and cash equivalents reflects the deployment of the Group's capital, use of borrowings and cash generated from operations. Cash movements are discussed in more detail below in section 4.5.

3.4 *Borrowings*

The Group benefits from four favourable banking facilities, with the principal amounts totalling £155.00 million as at 30 September 2013.

Borrowings were £97.3 million in March 2011, £100.1 million in March 2012 and £94.2 million in March 2013. As at 30 September 2013 these stood at £100.2 million (2012: £107.7 million).

This movement in the level of borrowings reflects property acquisitions made in years ended March 2012 and March 2013 and a disposal in the year ended March 2013.

3.5 *Derivative financial liabilities*

Derivative financial liabilities were £17.5 million in March 2011, £34.4 million in March 2012 and £40.6 million in March 2013. As at 30 September 2013 this decreased to £27.49 million (2012: £42.06 million).

3.6 *Finance lease liabilities*

The finance lease liabilities represent leasehold obligations on two properties held in London. The value of these liabilities has remained constant over the three years, and also for the six months to 30 September 2013.

3.7 *Pension fund liabilities*

The pension fund liability relates to a defined benefit pension scheme operated by the Group and whose deficit was £1.1 million in March 2011, £1.8 million in March 2012 and £2.2 million in March 2013.

The increase in the liability over the three years was a result of decreases in the return on the scheme assets and actuarial losses. This has fallen slightly to £2.18 million as at 30 September 2013 (2012: £1.82 million).

3.8 *Other assets and liabilities (net)*

Net other assets and liabilities were in a net liability position of £1.3 million in March 2011, £2.8 million in March 2012 and £1.3 million in March 2013. As at 30 September 2013 this stood at £1.69 million, compared to £2.16 million as at 30 September 2012.

Other assets and liabilities comprises operating debtors and creditors.

3.9 *Net asset value per share*

EPRA net asset value per share has increased from 223 pence in 2011 to 238 pence in 2013 and this uplift in value was due predominantly to property valuation increases. For the six months to 30 September 2013 this stood at 237 pence, an increase on 231 pence in the corresponding period in 2012.

4. **Capital Resources and Liquidity**

4.1 *Overview*

The Group finances its operations through a combination of Shareholders' equity, retained profits and borrowings.

Profits have been partially distributed as dividends (see section 5 below) and the balance reinvested into the expansion of the Group.

Prudent borrowings have been employed by the Group as the portfolio has expanded. Net debt to value was 46 per cent. in March 2011, 46 per cent. in March 2012 and 43 per cent. in March 2013. As at 30 September 2013, this stood at 44 per cent. (2012: 48.6 per cent.).

As at 31 March 2013, balance sheet gearing for the Group was 127 per cent. (84 per cent. when the negative value of interest rate derivatives is excluded, as is allowed in the relevant bank covenant tests.)

As at 31 March 2013, the properties generated an annual income of approximately 7 per cent. on portfolio valuation, whereas the Group's debt, which was approximately 44 per cent. of the amount of the properties, had an average cost of 5.0 per cent. per annum.

4.2 *Borrowing facilities*

Total borrowings amounted to £97.3 million in March 2011, £100.1 million in March 2012 and £94.2 million in March 2013. As at 30 September 2013 borrowings stood at £100.2 million (2012: £107.7 million). All borrowings are denominated in Pounds Sterling.

The Group has the following variable rate banking facilities, each repayable between 2016 and 2017 at variable rates:

- (A) Lloyds Bank – a revolving credit facility and a committed revolving overdraft facility in an aggregate amount of £47 million. The maximum aggregate amount outstanding under the Lloyds Facility shall not exceed £47 million, provided that the maximum amount outstanding under the overdraft facility shall not exceed £2 million. As at 31 March 2013, £33.7 million of the revolving credit facility was drawn. This loan is a corporate facility secured on a selection of properties from the portfolio. The loan is subject to a loan to value covenant of 70 per cent. and an interest cover covenant of 1.20. At 31 March 2013 the loan was secured on properties sufficient to give a 60 per cent. loan to value ratio. The repayment date is 31 March 2017.
- (B) Barclays Bank – a revolving facility for £38 million of which £7.5 million was drawn as at 31 March 2013. This loan is a corporate facility secured on a selection of properties from the portfolio. The loan is subject to a loan to value covenant of 70 per cent. and an interest cover covenant of 1.20. At 31 March 2013 the loan was secured on properties sufficient to give a 20 per cent. loan to value ratio. The repayment date is 28 July 2016.
- (C) Royal Bank of Scotland – a revolving facility for £35 million of which £28 million was drawn as at 31 March 2013. This loan is a corporate facility secured on a selection of properties from the portfolio. The loan is subject to a loan to value covenant of 70 per cent. and an interest cover covenant of 1.20. At 31 March 2013 the loan was secured on properties sufficient to give a 62 per cent. loan to value ratio. The repayment date is 28 February 2016.
- (D) Santander – a revolving facility for £35 million of which £25.3 million was drawn as at 31 March 2013. This loan is a corporate facility secured on a selection of properties from the portfolio. The loan is subject to a loan to value covenant of 70 per cent. and an interest cover covenant of 1.20. At 31 March 2013 the loan was secured on properties sufficient to give a 56 per cent. loan to value ratio. The repayment date is 21 December 2017.

The interest cover for the purposes of the bank covenant tests is calculated for the Group as a whole and was 1.9 for the year to 31 March 2013.

4.3 *Financial covenants*

Compliance has been maintained with all covenants over the period under review, with the Company maintaining low margins, flexible terms and no near term refinancing risk.

As at 30 September 2013 there continued to be significant headroom margin in relation to the income and loan to value covenants required by the Group's banking facilities.

4.4 *Treasury Policy*

The Group's funding policy, where borrowing is used, is to utilise interest rate hedging which consists of interest rate swaps at fixed rates. At 31 March 2013 the weighted average cost of borrowing for the Group was 5.0 per cent. At that time, the Group had an interest rate cap covering £25 million of borrowings set at 3.0 per cent. which rose to a fixed rate of 4.31 per cent. on 9 April 2013, a £5 million interest rate swap fixed at 4.65 per cent. and a £75 million interest rate swap fixed at 4.80 per cent., which rises to 5.17 per cent. from 28 March 2014.

4.5 Cash flows

	<i>6 months ended</i>				
	<i>30 September</i>		<i>Year ended 31 March</i>		
	<i>(Unaudited)</i>		<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash inflow/(outflow) from operating activities	2,294	2,403	4,358	6,825	(53)
Net cash from/(used in) investing activities	(4,677)	(6,398)	5,803	(5,679)	(2,447)
Net cash (used in)/from financing activities	3,317	4,892	(9,852)	(1,081)	4,342
Net increase in cash and cash equivalents	934	897	309	65	1,842
Cash and cash equivalents at beginning of year	2,893	2,584	2,584	2,519	677
Cash and cash equivalents at end of year	3,827	3,481	2,893	2,584	2,519

Net cash inflow/(outflow) from operating activities represented a net outflow of £0.05 million in March 2011 and a net inflow of £6.83 million and £4.36 million in March 2012 and March 2013 respectively. The net outflow of £0.05 million in 2011 included a one-off charge of £5.93 million for the cancellation of derivative contracts. For the six months to 30 September 2013 this stood at £2.29 million, and for the same period in 2012, £2.40 million.

Net cash from/(used in) investing activities represented a net outflow of £2.45 million and £5.68 million in March 2011 and March 2012 respectively and a net inflow of £5.80 million in March 2013. These changes reflect the Group's programme of property acquisitions and the net inflow in 2013 being the result of proceeds received from a property disposal in that year. For the six months to 30 September 2013 this stood at a net outflow of £4.68 million, and for the same period in 2012, a net outflow of £6.40 million.

Net cash (used in)/from financing activities of £4.34 million in March 2011 comprises inflows of £8.1 million from net additional debt taken on to fund growth in the business, offset by dividend payments of £3.76 million. For the six months to 30 September 2013 this stood at a net inflow of £3.32 million, and for the same period in 2012, a net inflow of £4.89 million.

Net cash used in financing activities of £1.08 million in March 2012 comprises inflows of £2.73 million from net additional debt taken on to fund growth in the business, offset by dividend payments of £3.81 million.

Net cash used in financing activities of £9.85 million in March 2013 comprises outflows of £6.0 million from the repayment of borrowings and dividend payments of £3.85 million.

4.6 *Capitalisation and indebtedness*

Set out below is a statement of capitalisation of the Company at 30 September 2013 and indebtedness of the Company as at 30 November 2013:

	<i>As at 30 September 2013 £'000</i>
<i>Capitalisation</i>	
Called up share capital	9,176
Share premium account	2,478
Revaluation reserve	23,066
Capital and reserves	<u>34,720</u>
	<i>As at 30 November 2013 (unaudited) £'000</i>
<i>Indebtedness</i>	
Secured	1,499 ⁽¹⁾
Total current debt	<u>1,499</u>
Secured	104,342
Total non-current debt (excluding current portion of long term debt)	<u>104,342</u>
Total indebtedness	<u>105,841</u>

Note:

(1) Including interest accrued on interest rate swap arrangements

	<i>As at 30 November 2013 £'000</i>
(A) Cash	(0)
(B) Cash Equivalents	0
(C) Trading Securities	0
(D) Liquidity (A)+(B)+(C)	<u>(0)</u>
(E) Current Financial Receivables	0
(F) Loan Note Issued	0
(G) Current Bank Debt	1,213 ⁽¹⁾
(H) Current Portion of Non-Current Debt	0
(I) Other Current Financial Debt	286
(J) Current Financial Debt (F)+(G)+(H)+(I)	<u>1,499</u>
(K) Net Current Financial Indebtedness (J)–(E)–(D)	1,499
(L) Non-Current Financial Receivables	0
(M) Non-Current Bank Loans	100,221
(N) Bonds Issued	0
(O) Other Non-Current Financial Debt	4,121
(P) Non-Current Financial Indebtedness (M)+(N)+(O)–(L)	<u>104,342</u>
(Q) Net Financial Indebtedness (K)+(P)	<u>105,841</u>

Note:

(1) Including interest accrued on interest rate swap arrangements.

5. Dividends and Dividend Policy

Below is an overview of the dividends paid by the Group:

	<i>6 months ended</i>		<i>Year ended 31 March</i>		
	<i>30 September</i>				
	<i>(Unaudited)</i>				
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
Dividend paid per share in respect of previous year (p)	5.8	5.7	5.7	5.6	5.5
Dividend paid per share in respect of current year (p)*			2.7	2.7	2.7
	<u>5.8</u>	<u>5.7</u>	<u>8.4</u>	<u>8.3</u>	<u>8.2</u>

Note:

* a final dividend of 5.8p per share in respect of 2013 has been declared and was paid on 1 August 2013.

The Group's policy is to pay a prudent and progressive dividend. The Group is required to pay 90 per cent. of its annual taxable profits to shareholders as a property investment dividend (PID) under REIT regulations.

6. Prospects

Improving market conditions have supported the Group's confidence and investment in the office and industrial markets of the South East and London. With sustained economic growth, the demand for quality floor space is set to increase at a time of low supply across these markets, providing opportunities for the Group on which to capitalise.

The Group is well placed to deliver gains from its existing portfolio, supplemented by recent and potential acquisitions.

PART 6

HISTORICAL FINANCIAL INFORMATION RELATING TO MCKAY

1. Basis of Financial Information

The consolidated financial statements of the Group included in the audited Annual Reports and Accounts of McKay for the financial years ended 31 March 2011, 31 March 2012 and 31 March 2013, together with the audit reports thereon, are incorporated by reference into this document. The unaudited interim results of the Company for the six months ended 30 September 2013 are also incorporated by reference into this document. The consolidated financial statements as of and for the financial year ended 31 March 2011, the financial year ended 31 March 2012 and the financial year ended 31 March 2013 were prepared in accordance with IFRS, and the audit report for each such financial year was unqualified.

2. Cross reference list

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

2.1 *Financial statements for the year ended 31 March 2011 and independent audit report thereon*

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 31 March 2011:

Consolidated statement of comprehensive income	Page 34
Group balance sheet	Page 35
Group cash flow statement	Page 37
Consolidated statement of changes in equity	Page 39
Notes to the financial statements	Pages 41 to 62
Independent auditors report	Page 32

2.2 *Financial statements for the year ended 31 March 2012 and independent audit report thereon*

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 31 March 2012:

Consolidated statement of comprehensive income	Page 34
Group balance sheet	Page 35
Group cash flow statement	Page 37
Consolidated statement of changes in equity	Page 39
Notes to the financial statements	Pages 41 to 62
Independent auditors report	Page 32

2.3 *Financial statements for the year ended 31 March 2013 and independent audit report thereon*

The page numbers below refer to the relevant pages of the Annual Report and Accounts of the Company for the financial year ended 31 March 2013:

Consolidated statement of comprehensive income	Page 34
Group balance sheet	Page 35
Group cash flow statement	Page 37
Consolidated statement of changes in equity	Page 39
Notes to the financial statements	Pages 41 to 59
Independent auditors report	Page 32

2.4 ***Unaudited interim results for the six months ended 30 September 2013***

The page numbers below refer to the relevant pages of the interim results of the Company for the six months ended 30 September 2013:

Consolidated statement of comprehensive income	Page 8
Group balance sheet	Page 9
Group cash flow statement	Page 10
Consolidated statement of changes in equity	Page 11
Notes to the financial statements	Pages 12 to 18

PART 7

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A: Unaudited pro forma statement of net assets of the Group

The unaudited pro forma statement of net assets of the Group set out below have been prepared to illustrate the effect of the Capital Raising on the consolidated net assets of the Group as if the Capital Raising had taken place on 30 September 2013. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position or results of the Group.

The unaudited pro forma statement of net assets is based on the consolidated balance sheet of the Group as at 30 September 2013 and has been prepared using the accounting policies adopted by the Company in preparing its financial statements for the six months ended 30 September 2013 and on the basis of the notes set out below.

	<i>Unadjusted Group at 30 September 2013 Note 1 £'000</i>	<i>Adjustments</i>		<i>Pro forma statement of the Group's net assets £'000</i>
		<i>Capital Raising proceeds Note 2 £'000</i>	<i>Transaction costs Note 3 £'000</i>	
Non-current assets				
Investment properties	224,345	–	–	224,345
Plant and equipment	20	–	–	20
Investments	–	–	–	–
	<u>224,365</u>	<u>–</u>	<u>–</u>	<u>224,365</u>
Current assets				
Trade and other receivables	6,342	–	–	6,342
Cash and cash equivalents	3,827	86,712	(4,552)	85,987
Total assets	<u>234,534</u>	<u>86,712</u>	<u>(4,552)</u>	<u>316,694</u>
Current liabilities				
Trade and other payables	(8,030)	–	–	(8,030)
Finance leases liabilities	(286)	–	–	(286)
Interest rate derivatives	(4,262)	–	–	(4,262)
Total current liabilities	<u>(12,578)</u>	<u>–</u>	<u>–</u>	<u>(12,578)</u>
Non-current liabilities				
Loans and other borrowings	(100,234)	–	–	(100,234)
Pension fund liabilities	(2,178)	–	–	(2,178)
Finance lease liabilities	(4,121)	–	–	(4,121)
Interest rate derivatives	(23,226)	–	–	(23,226)
Total non-current liabilities	<u>(129,759)</u>	<u>–</u>	<u>–</u>	<u>(129,759)</u>
Total liabilities	<u>(142,337)</u>	<u>–</u>	<u>–</u>	<u>(142,337)</u>
Net assets	<u>92,197</u>	<u>86,712</u>	<u>(4,552)</u>	<u>174,357</u>

Notes:

1. Net assets of Group at 30 September 2013 as extracted from the unaudited interim report and accounts of the Group for the six months ended 30 September 2013 which have been incorporated into this document by reference.
2. The Capital Raising proceeds reflect the receipt of £86.7 million from the issue of 45,879,174 Ordinary Shares.
3. Transaction costs reflect estimated cash costs associated with the Capital Raising of £4.6 million, comprising: Bookrunner/Sponsor's fees, other professionals' fees, printers and UKLA and other miscellaneous expenses.
4. The pro forma statement of net assets does not constitute statutory accounts within the meaning of Section 434 of the Companies Act.
5. No adjustment has been made for trading or changes in the Group's working capital since 30 September 2013.

SECTION B: Accountant's Report on Pro Forma Financial Information

KPMG Audit plc
15 Canada Square
London
E14 5GL

The Directors
McKay Securities plc
20 Greyfriars Road
Reading
Berkshire
RG1 1NL

29 January 2014

Dear Sirs,

McKay Securities plc

We report on the pro forma financial information (the 'Pro forma financial information') set out in section A of Part 7 of the prospectus dated 29 January 2014, which has been prepared on the basis described in notes 1 to 5 to section A of Part 7, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by McKay Securities plc in preparing the interim financial statements for the six month period ended 30 September 2013. This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the Directors of McKay Securities plc to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors of McKay Securities plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of McKay Securities plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of McKay Securities plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG Audit plc

PART 8

PROPERTY VALUATION REPORT

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& harding

CHARTERED SURVEYORS &
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The Directors
McKay Securities plc
20 Greyfriars Road
Reading
Berkshire
RG1 1NL

Oriel Securities Limited
150 Cheapside
London
EC2V 6ET

29 January 2014

Dear Sirs

Re: MARKET VALUATION OF THE PROPERTIES WHOLLY OWNED BY THE GROUP AS AT 17 JANUARY 2014

1. Introduction

In accordance with your instructions issued on behalf of McKay Securities plc (the “**Company**”), we have undertaken a market valuation (the “**Valuation Report**”) as at 17 January 2014 (the “**Valuation Date**”) of the freehold and long leasehold interests of the Properties (as defined below) held as investments by the Company and its subsidiaries (the “**Group**”).

We have adopted a condensed report format as provided for in the Financial Conduct Authority Handbook.

2. The Purpose of the Valuation

This Valuation Report has been prepared for inclusion in the Prospectus to be published in connection with the proposed firm placing and placing and open offer of new ordinary shares in the Company.

3. Compliance with Valuation Standards

This valuation conforms in all respects with the mandatory requirements set out in The Royal Institution of Chartered Surveyors (“**RICS**”) Valuation – Professional Standards which came into effect on 6 January 2014 and also complies with the International Valuation Standards published on 1 July 2013 which became effective from 1 January 2014.

We confirm that our valuation has been prepared in accordance with the relevant provisions of the Prospectus Rules issued by the Financial Conduct Authority. It is also in compliance with paragraphs 128 to 130 of the ESMA update to the CESR recommendations for the consistent implementation of Directive 2003/71/EC, issued by the European Parliament and implemented in the UK through the Prospectus Regulations 2005 (SI 2005/1433) and as subsequently amended by Directive 2010/73/EU.

We confirm that we are acting as an External Valuer (as defined in the RICS Valuation-Professional Standards) and as an Independent Expert for the purposes of paragraph 130 of the ESMA Guidelines. We further confirm, in accordance with the requirements of the RICS Valuation-Professional Standards, that the Valuer has the knowledge, skills and understanding to undertake this valuation competently and has no conflict of interest in accepting this instruction. The signatory to this report is a Registered Valuer in compliance with the new regulations introduced by RICS and which became mandatory from 30 April 2011 and maintains defined standards of training and competence.

4. The Properties

The portfolio comprises 36 properties as set out in **Schedule 1** to this Valuation Report (the “Properties”) and each a “**Property**”), categorised as follows

- (i) London Offices – Comprising 7 properties
- (ii) South East Offices – Comprising 17 properties
- (iii) South East Industrials – Comprising 9 properties
- (iv) Other – Comprising 3 properties

Where appropriate we have differentiated between those Properties held freehold and long leasehold (leases with 100 years or more unexpired). The portfolio includes 2 Properties held during the course of development (as defined below) and we have identified the category within which each of these Properties falls.

We have also included within **Schedule 2** relevant details in respect of those Properties which necessarily have to be identified for the purposes of this valuation and have been defined as being those Properties which have an individual market value (as defined below) which is more than 5 per cent. of the aggregate valuation reported (the “**Material Properties**”).

Each Property has been valued individually and not as part of a portfolio. Accordingly, no account has been taken of any discount or premium that may be warranted in the market if all or part of the portfolio was to be marketed simultaneously either in lots or as a whole.

Each of the Properties has been inspected internally at least once in the 12 months prior to the Valuation Date.

5. Basis of Valuation

Market Value

In accordance with your specific instructions, our valuation has been carried out on the basis of Market Value which is defined within the RICS Valuation-Professional Standards as being:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Net Annual Rent

We have had regard to the definition contained in the Listing Rules (LR APP1) relevant definitions which defines Net Annual Rent as:

The current income or income estimated by the valuer:

- (A) *ignoring any special receipts or deductions arising from the property;*
- (B) *excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and,*

(C) *after making deductions for superior rents (but not for amortisation) and any disbursements including if appropriate expenses of managing the property and allowances to maintain it in a condition to command its rent.”*

It follows that where premises are let on effective full repairing and insuring leases, the net annual rents receivable are the present aggregate contracted rents payable under the relevant leases without deduction for the cost of management or other expenses. In relation to those Properties identified as long leasehold interests, we have deducted (as appropriate) any ground rent payable under the contractual lease. Where Properties are subject to outstanding rent reviews, the net annual rent is the aggregate current contractual rent that is subject to revision upwards pending the outcome of rent review negotiations.

Market Rent

Where Properties (or parts of a Property) are vacant, we have considered the likely lease terms which may be agreed following conclusion of negotiations reflective of current market conditions and we have valued these Properties on the basis of market rent which is defined within the RICS Valuation-Professional Standards as:

“The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

6. Properties During The Course Of Development

Where a Property is identified as being during the course of development, the market value reported will reflect the value of the finished Property assuming that it had been completed at the Valuation Date, less the anticipated cost to complete, including the cost of finance and developer’s profit which we consider to be reasonable and reflective of current market conditions. We have also deducted holding costs including allowances for letting voids, empty property rates and where appropriate, incentives and finance. We have also had regard to contractual arrangements as advised to us by the Company in respect of the parties involved in the developments and any cost estimates that have been provided to us by professional advisers including marketing agents, if instructed.

7. Taxation and Costs

We have not made any adjustments in our valuation to reflect any liability to taxation that may arise on rental income from Properties, corporation tax, capital gains tax and any other property related tax, notional sale prices or any gains that may be realised on disposal.

The market valuations and rentals of the Properties included in this Valuation Report are net of Value Added Tax at the prevailing rate.

We have made deductions from our valuations to reflect purchaser’s acquisition costs and in particular full liability for UK Stamp Duty Land Tax as applicable at the Valuation Date in accordance with normal valuation practice.

No allowance has been made for any costs that may be associated with disposals incurred by the Group.

8. Special Assumptions

The RICS Valuation-Professional Standards define a Special Assumption as being:

“an assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date”.

We confirm that we have made no special assumptions nor in receiving instructions from the Company are we required to make any special assumptions in preparing our Valuation Report.

9. Sources of Information and Scope of Our Instructions

Sources of Information

We have relied upon information provided by the Company and other authorised concerns including your agents, legal and financial advisers and accountants.

We have assumed that all material facts connected with the Properties have been fully disclosed to us.

Title

We have not examined title documents or Land Registry information. However where we have been provided with Reports on Title prepared by the Company's legal advisers, these have been considered and any limitations reflected in our Valuation Report. In the case of all long leasehold interests, we have considered the relevant lease(s) in detail.

Our Valuation Report assumes that save as disclosed in Reports on Title, the Properties have good and marketable titles and are free of any onerous or unusual burdens, outgoings, obligations or restrictions.

Tenancy Information

Where we have been provided with leases and related documents, these have been reviewed and the terms reflected in our valuations. We have also relied upon the Company's Management Schedule recording tenancy details, rents received and the information verified (where possible) through cross referencing with copies of occupational leases, licences and other relevant documents.

We have not undertaken detailed investigations into the covenant strength of the occupying tenant and we assume, unless advised to the contrary, that all occupiers are in a financial position to meet their obligations under the lease. This includes an assumption that there are no arrears of rent or service charge breaches unless disclosed by the Company.

Our valuation reflects the type of tenants actually in occupation and the market's general perception of their credit worthiness. Where we are aware of lease events such as tenant's or landlord's options to break, rent reviews or lease renewals pending or impending, we have assumed that all notices relevant thereto have or will be served validly within appropriate time limits and all necessary steps taken to protect the Company's legal position. We assume that neither landlord nor tenant may terminate the leases prematurely unless we have been told otherwise.

Unless disclosed to us, we have assumed that the Properties are subject to normal outgoings and that tenants are responsible for all repairs, the cost of insurance and payment of rates and other usual outgoings either directly or by means of service charge provisions.

Condition and Repair of The Property

We have not carried out either structural or condition surveys on the Properties and are therefore unable to report that each Property is free from any structural fault or defects of any other nature including inherent weakness due to the use of deleterious materials. The Company has confirmed to us that it is not aware of any such structural faults or defects of a sufficient material nature as needs to be considered for the purposes of our valuation. No tests were carried out on any of the technical services at the Properties nor inspections made for the purposes of ascertaining the presence of asbestos or geological investigations to determine suitability of ground conditions, load bearing capacities and the presence of methane gas or other noxious substances.

No allowance has been made in our valuations for any items of plant and machinery not forming part of the service installations to the Properties.

Subject to the limitations set out above, we have inspected each of the Properties within the 12 months prior to the Valuation Date and have had regard to the age and apparent general condition of the Properties, and these are factors which we have taken into account in arriving at our valuation.

Environmental Issues

In the absence of any information to the contrary, we have assumed that the Properties are not contaminated and that each Property would, in all respects, be insurable against all usual risks including terrorism, flooding and rising water table at normal commercially acceptable premiums.

Defective Premises, Health and Safety and Disability Discrimination Legislation

We have not taken account of any rights, liabilities and obligations under the Defective Premises Act 1972 and, unless specifically advised by the Company, have assumed the Properties currently comply, and will continue to comply, with current health and safety and disability legislation.

Floor Area

All floor areas as set out within this Valuation Report, have been measured in compliance with the RICS Code of Measuring Practice 6th Edition.

Planning and Statutory Information

We undertake a valuation of the Properties twice yearly (except 66 Wilson Street, London EC2, which was acquired in December 2012 and 1 Crown Square, Woking, acquired on 9 January 2014) and for the valuation dated 31 March 2013, we made all necessary enquiries of planning, highways and statutory authorities. No further investigations have been undertaken.

Information

We have assumed that any information the Company, its professional advisers or any third party at the Company's instigation have supplied to us in respect of the Properties, is full, correct and comprehensive and can be safely relied upon by us in preparing our valuation.

10. Valuation

We are of the opinion that the aggregate market value of the Group's interests in the Properties as at **17 January 2014 is £236,300,000 (two hundred and thirty six million, three hundred thousand pounds).**

The valuation is categorised as follows:

<i>Sector</i>	<i>Freehold</i>	<i>Long Leasehold</i>	<i>Total Value</i>
London Offices ⁽¹⁾	£52,956,000 (5 properties)	£25,450,000 (2 properties)	£78,415,000
South East Offices ⁽²⁾	£101,050,000 (17 properties)	£ – (0 properties)	£101,050,000
South East Industrials	£50,260,000 (9 properties)	£ – (0 properties)	£50,260,000
Other ⁽³⁾	£675,000 (2 properties)	£5,900,000 (1 property)	£6,575,000
Aggregate value	£204,950,000	£31,350,000	£236,300,000

Notes:

- (1) Includes 1 property during the course of development.
- (2) Includes 1 property during the course of development.
- (3) Retail, land and residential.

The above figures are an aggregate of the value attributable to each individual Property within each category and should not be regarded as a valuation of the portfolio in the context of a sale as a single lot.

In arriving at our reported valuation, we have had regard to a market comparison approach and our valuation is derived from observable market transactions involving comparable property interests for similar buildings in similar locations on arm's length terms.

We have within **Schedule 2** to this report, set out more detailed commentary on the Material Properties in respect of which we are required to report individual valuations because they represent 5 per cent. or more of the aggregate valuation set out above.

We confirm that there has been no material change to the aggregate valuation from the Valuation Date to the date of this letter.

11. Movements in the Valuation Figure

The above aggregate value differs from the valuation figure included in the Company's accounts for the financial year ended 31 March 2013 (£212.94 million). This shift in value reflects the impact of property acquisitions, changes in tenants and rents received and movement in capital expenditure together with property market pricing fluctuation.

12. Disclosure

In accordance with the RICS Valuation-Professional Standards (UKVS 4.3) we confirm that:

- (A) in relation to the financial year ending 31 March 2013, the proportion of total fees payable by the Company to Mellersh & Harding LLP was within the band of 5 per cent. to 10 per cent. of total revenue; and
- (B) it is anticipated that for the forthcoming financial year ending 31 March 2014, the proportion of fees payable by the Company to Mellersh & Harding LLP will remain within the banding of 5 per cent. to 10 per cent.

13. Confidentiality, Disclosure and Publication

The contents of this Valuation Report may be used only for the specific purpose to which it refers. Before this Valuation Report or any part thereof is reproduced or referred to in any document, circular or statement and before its contents or any part thereof are disclosed orally or otherwise to a third party, the Valuer's written approval as to the form and context of such publication or disclosure must be first obtained, provided that the contents of this Valuation Report may be disclosed where: (i) disclosure is required by law or requested by a regulatory authority; or (ii) such disclosure is necessary for the purposes of resolving any legal or regulatory proceedings or investigation.

We consent to the inclusion in the Prospectus of this Valuation Report and to other references to it and the form and context in which they appear and accept responsibility for the report in compliance with Prospectus Rule 5.5.3 R(2)(f).

We accept responsibility for the information contained within this Valuation Report and declare that we have taken all reasonable care to ensure that the information contained herein is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex 1 item 1.2 of the Prospectus Directive.

Yours faithfully

**A J Widdup MRICS – Registered Valuer
For and on behalf of
MELLERSH & HARDING LLP**

SCHEDULE 1

SCHEDULE OF PROPERTIES

1. Units 1-19 Lower Cherwell Street,
Banbury, Oxfordshire OX16 5AY
2. Units 1-12 McKay Trading Estate, Station Approach,
Bicester, Oxfordshire OX26 6BZ
3. Doncastle House, Doncastle Road,
Bracknell, Berkshire RG12 8PE
4. Vacant Lane, Castle Grove,
Chobham, Surrey GU27 8EA
5. Oakwood Trade Park, Gatwick Road,
Crawley, Sussex RH10 9AY
6. Pegasus Place, Gatwick Road,
Crawley, Sussex RG10 9AY
7. Corinthian House, 17 Lansdowne Road,
Croydon, Surrey CR0 2BX
8. Runnymede Focus, Windsor Road,
Egham, Surrey TW20 0AE
9. Columbia House, Southwood Business Park, Apollo Rise,
Farnborough, Hampshire GU14 0GT
10. Pinehurst Park, 115-117 Farnborough Road,
Farnborough, Hampshire GU14 7JG
11. Ancells Business Park, Ancells Road,
Fleet, Hampshire GU51 2UN
12. 3 Acre Site, Park Farm Road, Park Farm Industrial Estate,
Folkestone, Kent CT19 5FG
13. 5 Acre Site, Park Farm Road, Park Farm Industrial Estate,
Folkestone, Kent CT19 5FG
14. Bartley House, Station Road,
Hook, Hampshire RG27 9JF
15. 202 Blackfriars Road,
London SE1 8NJ
16. 203 Blackfriars Road,
London SE1 8NJ
17. 1-2 Castle Lane,
London SW1E 6DR
18. 30-32 Lombard Street,
London EC3V 9BQ

19. Flat 20/20A & The East Penthouse, Parkside, 28-56 Knightsbridge,
London SW1X 7JW
20. Portsoken House, 155-157 Minories & 83-87 Aldgate High Street,
London EC3N 1LJ
21. 66 Wilson Street,
London EC2A 2JX
22. Wimbledon Gate, 11-17 Worple Road, Wimbledon,
London SW19 4JS
23. Switchback, Gardner Road,
Maidenhead, Berkshire SL6 7RJ
24. Access House, Strawberry Hill,
Newbury, Berkshire RG14 1JU
25. Albion House, 27 Oxford Street,
Newbury, Berkshire RG14 1JG
26. Strawberry Hill House, Bath Road,
Newbury, Berkshire RG14 1JV
27. Units 1-9 McKay Trading Estate, Blackthorn Road,
Poyle, Berkshire SL3 0AH
28. Great Brighams Mead, Vastern Road,
Reading, Berkshire RG1 8DJ
29. 20 & 30 Greyfriars Road,
Reading, Berkshire RG1 1NL
30. 20 Hosier Street,
Reading, Berkshire RG1 7JL
31. Crown Buildings, 73 London Road,
Redhill, Surrey RH1 1LP
32. Mallard Court, 4-10 Clarence Street,
Staines, Middlesex TW18 4SP (Shops), TW18 4RH (Offices)
33. Cygnet House, 2 Clarence Street,
Staines, Middlesex TW18 4RH
34. Waterman's & Captain's House, Kingsbury Crescent,
Staines, Middlesex TW18 3BA
35. Sopwith Drive,
Weybridge, Surrey KT13 0UZ
36. 1 Crown Square,
Woking, GU21 6HR

SCHEDULE 2

MATERIAL PROPERTIES

<i>Property</i>	<i>Location Description Tenure</i>	<i>Existing Tenancy Narrative</i>	<i>Floor Area</i>	<i>Current Net Annual Rent</i>	<i>Market Value</i>
203 Blackfriars Road, London SE1 8NJ	<p>Description</p> <p>The property comprises a self contained office building arranged over lower ground, ground and 3 upper floors. The building was substantially refurbished in 2012 to include new VRF air conditioning, toilets, ceilings and an extended reception area with improved disability access.</p> <p>Location</p> <p>The property is situated on the eastern side of Blackfriars Road between Scoresby Street and Nicholson Street approximately half a mile south of Blackfriars Bridge. Southwark underground station is located diagonally opposite the property and London Bridge, Waterloo and Blackfriars main line railway stations are within walking distance.</p> <p>Tenure</p> <p>Freehold.</p>	<p>The property is let in its entirety for a term of 12 years with effect from 10 July 2012 subject to a fifth year upwards only rent review. The agreed rent of £802,270 pa commences on 10 July 2014 following expiry of the rent free period.</p>	<p>1,952.55 sq m net internal (21,017 sq ft net internal)</p>	£0	£13,850,000
30/32 Lombard St, London EC3 9BQ	<p>Description</p> <p>The property comprises a prominent building arranged over 3 basement levels, ground and 6 upper floors with access from both Lombard Street and Plough Court. The building benefits from 16 basement car parking spaces approached via Clements Lane. The site has the benefit of a December 2010 planning permission to construct a new office building with a gross external area of 8,270 sq m (89,104 sq ft).</p> <p>Location</p> <p>The property is situated in a prime City location on the south side of Lombard Street at its junction with Clements Lane. Bank Station, Monument and Cannon Street main line services are all within a short walking distance of the property.</p> <p>Tenure</p> <p>Long Leasehold.</p> <p>The property is held by way of a lease commencing 1 September 1998 for a term of 135 years (119 years unexpired) subject to 5 yearly rent reviews the basis of which is £105,500 per annum or 10 per cent. of net rents received whichever shall be the higher.</p>	<p>The property is sublet to 5 tenants on 5 separate leases all of which expire between June 2014 and December 2015. However the provisions within each lease allow the Company flexibility to obtain possession should they wish to redevelop the building from June 2014. All leases are outside of the security of tenure provisions provided for by the Landlord & Tenant Act 1954.</p>	<p>3,327.60 sq m net internal (35,818 sq ft net internal)</p>	£361,557 pa	£11,750,000

<i>Property</i>	<i>Location Description Tenure</i>	<i>Existing Tenancy Narrative</i>	<i>Floor Area</i>	<i>Current Net Annual Rent</i>	<i>Market Value</i>
Portsoken House 155-157 Minories & 83-86 Aldgate High Street, London EC3N 1LJ	<p>Description</p> <p>The property comprises an imposing office and retail building to provide 4 ground floor retail units and 8 floors of offices over. The basement level provides storage for 3 of the retail units and individual storerooms for the benefit of the office tenants.</p> <p>Location</p> <p>The property is situated at the junction of Minories and Aldgate High Street. Aldgate, Aldgate East and Tower Hill underground stations are all within close walking distance as is the Tower Gateway DLR station providing direct access to Canary Wharf.</p> <p>Tenure</p> <p>Long leasehold.</p> <p>The property is held by way of a long leasehold interest for a term of 125 years with effect from 25 December 1992 (103 years unexpired) subject to 5 yearly upwards only rent reviews to £180,000 per annum or 15.5 per cent. of the rack rental value of the premises whichever is the greater.</p>	<p>The property is let to 12 tenants on 19 separate leases expiring between December 2014 and September 2020.</p> <p>Two office suites are vacant.</p>	<p>4,419.76 sq m net internal (47,574 sq ft net internal)</p>	£801,948	£13,700,000
Wimbledon Gate, 11-17 Worple Road, Wimbledon, London SW19 4JS	<p>Description</p> <p>The property comprises a 6 storey office building and self contained ground floor retail unit. To the rear is secure surface and basement car parking providing 31 spaces.</p> <p>The building is finished to a high quality specification including metal tiled ceilings and 3 13 person passenger lifts.</p> <p>Location</p> <p>The property occupies a central position within Wimbledon and is situated close to the junction of Wimbledon Hill and Worple Road just to the west of Wimbledon main line railway station, tram and underground station (District line).</p> <p>Tenure</p> <p>Freehold.</p>	<p>The offices are let in their entirety for a term of 15 years duration expiring on 16 February 2021. The ground floor retail unit is let on a lease expiring 16 February 2021 but which incorporates a tenant's option only to break on 22 November 2016 (exercised).</p>	<p>5,452.29 sq m net internal (58,688 sq ft net internal)</p>	£1,643,000	£24,975,000

<i>Property</i>	<i>Location Description Tenure</i>	<i>Existing Tenancy Narrative</i>	<i>Floor Area</i>	<i>Current Net Annual Rent</i>	<i>Market Value</i>
Pegasus Place Gatwick Road, Crawley, Sussex RH10 9AY	<p>Description The property comprises 3 self contained modern office buildings with dedicated car parking. Each building is finished to a high standard with air conditioning, column free space, metal tiled ceilings and fully accessed raised floors.</p> <p>Location The property is situated approximately 1.5 miles to the west of Junction 10 of the M23 motorway. Pegasus Place enjoys very good road communications with excellent rail and air links provided by Gatwick Airport and Gatwick Express railway station. The campus is located to the eastern side of Gatwick Road between the Manor Royal and Fleming Way junctions.</p> <p>Tenure Freehold.</p>	<p>Pegasus 1 and Pegasus 3 are each let as self contained entities to a single tenant on full repairing and insuring leases. The lease in respect of Pegasus 1 expires on 20 September 2022 but incorporates a tenant's option only to break as at 21 September 2017. Similarly the lease in respect of Pegasus 3 expires on 22 May 2026 but incorporates a tenant's option to break on 23 May 2021.</p> <p>Pegasus 2 is vacant.</p>	<p>4,718.08 sq m net internal (50,785 sq ft net internal)</p>	£689,705 pa	£12,185,000
Great Brighams Mead Vastern Road Reading Berkshire RG1 8DJ	<p>Description The property comprises a prominent headquarters office building arranged over 3 floors with dedicated car parking providing 182 spaces. Internally, the accommodation is finished with metal tiled ceilings, air conditioning and raised floors.</p> <p>Location The offices are situated at the intersection of Caversham Road and Vastern Road in the centre of Reading almost immediately to the north west of Reading railway station. The Reading inner ringroad is immediately accessible with direct links to Junction 11 of the M4 motorway.</p> <p>Tenure Freehold.</p>	<p>The property is let in its entirety on a lease expiring 24 March 2022.</p>	<p>7,881.61 sq m net internal (84,837 sq ft net internal)</p>	£2,280,000 pa	£32,500,000

PART 9

INFORMATION ON THE NEW ORDINARY SHARES

1. Description of the type and class of securities admitted

The New Ordinary Shares will be Ordinary Shares with a nominal value of 20 pence each. The ISIN of the New Ordinary Shares will be GB0005522007, being the same ISIN as that of the Existing Ordinary Shares. The New Ordinary Shares will be created under the Companies Act and the Articles. Following the Capital Raising, the Company will have one class of Ordinary Shares, the rights of which are set out in the Articles.

The New Ordinary Shares will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests, and rank in full for all dividends and distributions on the ordinary share capital of the Company declared, made or paid after the date of their allotment and issue.

2. Listing

Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and dealings will commence in the New Ordinary Shares at 8.00 a.m. on 19 February 2014.

Listing of the New Ordinary Shares will not be sought on any stock exchange other than the London Stock Exchange.

3. Form and currency of the New Ordinary Shares

The New Ordinary Shares resulting from the Capital Raising will be issued in registered form and will be capable of being held in certificated and uncertificated form.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will, in respect of Shareholders, be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of members of the Company). The registrar of the Company is Equiniti.

If any New Ordinary Shares are converted to be held in certificated form, share certificates will be issued in respect of those shares in accordance with the Articles and applicable legislation.

The New Ordinary Shares will be denominated in pence.

4. Rights attached to the New Ordinary Shares

Each New Ordinary Share will rank *pari passu* in all respects with each Existing Ordinary Share and have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as the other Ordinary Shares, as set out in the Articles. These rights are set out in section 3 of Part 12 (*Additional Information*) of this document.

5. Resolution, authorisations and approvals relating to the New Ordinary Shares

The New Ordinary Shares will be created, allotted and issued pursuant to the authority to be granted under the Resolutions proposed at the General Meeting.

6. Dates of issue and settlement

The New Ordinary Shares are expected to be issued and allotted on 19 February 2014.

7. Description of restrictions on free transferability

Save as set out below, the New Ordinary Shares are freely transferable.

The Company may, under the Companies Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the court for an order directing, among other things, that any transfer of the shares which are the subject of the statutory notice is void.

The Directors may also, without giving any reason, refuse to register the transfer of any Ordinary Shares which are not fully paid.

8. Mandatory takeover bids, squeeze-out and sell-out rules

8.1 *Mandatory bids*

Under the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in shares by a person holding (together with any persons acting in concert) an interest in shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

8.2 *Squeeze-out rules*

Under the Companies Act, if a 'takeover offer' (as defined in section 974 of the Companies Act) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the 'Offer Shares') and not less than 90 per cent. of the voting rights attached to the Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

8.3 *Sell-out rules*

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares. The offeror is required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

8.4 ***Takeover bids***

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

9. Taxation

Please see Part 10 (*United Kingdom Taxation*) of this document for information relating to UK taxation (including a discussion of UK stamp duty and SDRT which is relevant to holders of New Ordinary Shares irrespective of their tax residence).

PART 10

UNITED KINGDOM TAXATION

1. General

The following statements:

- (A) do not constitute tax advice and are intended to apply only as a general guide to the position under current UK tax law and the published practice of HMRC as at the date of this document, either of which is subject to change at any time (possibly with retrospective effect);
- (B) relate only to certain limited aspects of the UK taxation treatment of Qualifying Shareholders and Placees and, except where the contrary is stated, are intended to apply only to those who:
 - (i) are resident and domiciled in (and only in) the UK for UK tax purposes;
 - (ii) hold (or will hold) their Ordinary Shares as investments; and
 - (iii) are (or will be) the beneficial owners of their Ordinary Shares; and
- (C) may not apply to certain classes of Qualifying Shareholder or Placee such as, for example, dealers in securities, insurance companies, collective investment schemes and Qualifying Shareholders who have (or who are deemed to have) acquired their Ordinary Shares by virtue of an office or employment.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult an appropriate professional tax adviser without delay.

2. Taxation of chargeable gains

2.1 *Firm Placed Shares acquired pursuant to the Firm Placing*

The issue of Firm Placed Shares under the Firm Placing will not constitute a reorganisation of the Company's share capital for the purposes of the UK taxation of chargeable gains and, accordingly, any Firm Placed Shares acquired pursuant to the Firm Placing will be treated as a separate acquisition from any Existing Holding.

2.2 *Placing Shares acquired pursuant to the Placing*

Similarly, the issue of Placing Shares under the Placing will not constitute a reorganisation of the Company's share capital for the purposes of the UK taxation of chargeable gains and, accordingly, any Placing Shares acquired pursuant to the Placing will be treated as a separate acquisition from any Existing Holding.

2.3 *Open Offer Shares acquired pursuant to the Open Offer*

As a matter of UK tax law, the acquisition of New Ordinary Shares pursuant to the Open Offer may not strictly speaking constitute a reorganisation of share capital for the purposes of UK taxation of chargeable gains. The published practice of HMRC to date has been to treat any subscription of shares by an existing shareholder which is equal to or less than the shareholder's minimum entitlement pursuant to the terms of an open offer as a reorganisation, but it is not certain that HMRC will apply this practice in circumstances where an open offer is not made to all shareholders. HMRC's treatment of the Open Offer cannot therefore be guaranteed and specific confirmation has not been requested in relation to the Open Offer.

To the extent that the acquisition of the New Ordinary Shares is regarded as a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains, the New Ordinary Shares issued to a Qualifying Shareholder will be treated as the same asset as, and having been acquired at the same time as, the Qualifying Shareholder's Existing Holding. The amount of

subscription monies paid for the New Ordinary Shares will be added to the base cost of the Qualifying Shareholder's Existing Holding.

If, or to the extent that, the acquisition of New Ordinary Shares under the Open Offer is not regarded as a reorganisation, the New Ordinary Shares acquired by each Qualifying Shareholder under the Open Offer will, for the purposes of UK taxation of chargeable gains, be treated as a separate acquisition of Ordinary Shares and the price paid for those Ordinary Shares will constitute their base cost.

2.4 *Subsequent disposals of New Ordinary Shares*

(A) *Individual Shareholders*

A disposal of New Ordinary Shares may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax.

An individual Shareholder whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of his New Ordinary Shares, are less than or equal to the upper limit of the income tax basic rate band applicable in respect of that tax year (the '**Band Limit**') will generally be subject to capital gains tax at a rate of 18 per cent. in respect of any gain arising on a disposal or deemed disposal of his New Ordinary Shares.

An individual Shareholder whose total taxable gains and income in a given tax year are more than the Band Limit will generally be subject to capital gains tax at a rate of 28 per cent. on any gains made on the disposal or deemed disposal of his New Ordinary Shares (except for any part of the gain which, when added to his other taxable income and gains for the year, is less than or equal to the Band Limit).

No indexation allowance will be available to an individual Shareholder in respect of any disposal of New Ordinary Shares. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains (arising from all sources during the tax year) in excess of this figure. The annual exemption is £10,900 for the tax year 2013–2014.

Individuals who are temporarily non-resident may, in certain circumstances, be subject to tax in respect of gains realised while they are not resident in the UK.

(B) *Corporate Shareholders*

Where a Shareholder is within the charge to UK corporation tax, a disposal of New Ordinary Shares may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of corporation tax.

Corporation tax is charged on chargeable gains at the rate applicable to the company in question. In calculating the chargeable gain or allowable loss arising on a subsequent disposal of New Ordinary Shares, indexation allowance will apply to the amount paid for the New Ordinary Shares only from, generally, the date the subscription monies for the New Ordinary Shares were payable.

3. **Taxation of dividends**

3.1 *Property Income Distributions ("PIDs")*

PIDs of the Company are distributions it makes that are attributable to the tax-exempt profits or gains of the Group as determined under the REIT legislation.

(A) *Individuals*

Subject to certain exceptions, a PID (together with any PID from another REIT) will generally be treated in the hands of Shareholders who are individuals as profit of a UK property business (as defined in section 264 of the Income Tax (Trading and Other Income) Act 2005), which is

separate from any actual property business (an “actual property business”) carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s actual property business cannot be offset against a PID as part of a single calculation of the profits of a property business. No tax credit will be available in respect of PIDs.

Please see also section 3.1(D) of this Part 10, below.

(B) *Corporate Shareholders*

Subject to certain exceptions, a PID (together with any PID from another REIT) will generally be treated in the hands of Shareholders that are within the charge to corporation tax as profits of a UK property business (as defined in section 205 of the Corporation Tax Act 2009), which is separate from any actual property business (an “actual property business”) carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s actual property business cannot be offset against a PID as part of a single calculation of the profits of a property business.

Please see also section 3.1(D) of this Part 10, below.

(C) *Taxation of Shareholders who are not resident for tax purposes in the UK*

Where a Shareholder who is resident for tax purposes outside the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding.

Please see also section 3.1(D) of this Part 10, below.

(D) *Withholding tax*

(i) *General*

Subject to certain exceptions summarised below in section 3.1(D)(iv), the Company will be required to withhold tax at source at the basic rate (currently 20 per cent.) from its PIDs. McKay will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld and the net amount of the PID.

(ii) *Shareholders who are resident for tax purposes in the UK*

Where tax has been withheld at source, Shareholders who are individuals may, depending on their particular circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders that are corporates will generally be liable to pay corporation tax on their PID (see section 3.1(B) of this Part 10, above) and if (exceptionally) income tax is withheld at source, the tax withheld can be set against their liability to corporation tax (or against any income tax which they are required to withhold from another payment in the accounting period in which the PID is received).

(iii) *Shareholders who are not resident for tax purposes in the UK*

It is not possible for a Shareholder to make a claim under a double tax treaty for a PID to be paid by McKay gross or at a reduced rate. The right of a Shareholder to claim repayment from HMRC of any part of the tax withheld from a PID will depend on the existence and terms of any double tax convention between the UK and the country in which the Shareholder is resident.

(iv) *Exceptions to requirement to withhold income tax*

Shareholders should note that in certain circumstances the Company must not withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK, a company resident for tax purposes outside the UK with a permanent

establishment in the UK which is required to bring the PID into account in computing its chargeable profits, a charity, a local authority or a specified government body. They also include circumstances where the Company reasonably believes that the recipient of the PID is the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, the account manager of an Individual Savings Account, the plan manager of a Personal Equity Plan or the account provider for a child trust fund, provided, in each case, the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such Shareholders to submit a valid “Declaration of Eligibility” (copies of which may be obtained on request from the Registrars). Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their Declaration are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

3.2 *Other Distributions (“Non-PID Dividends”)*

Under current UK tax law, the Company will not be required to withhold tax at source from Non-PID Dividend payments it makes.

(A) *Individuals*

A Shareholder who is an individual and receives a Non-PID Dividend from the Company will be entitled to a tax credit which may be set off against his total UK income tax liability on the Non-PID Dividend. The tax credit will be equal to 10 per cent. of the aggregate of the Non-PID Dividend and the tax credit (together, the “gross dividend”), which is also equal to one-ninth of the amount of the Non-PID Dividend actually received. A Shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to any payment from HMRC in respect of any part of the tax credit.

A Shareholder who is liable to income tax at a rate not exceeding the basic rate will be subject to income tax at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such Shareholder’s liability to income tax on the Non-PID Dividend received.

A Shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent., to the extent that the gross dividend falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax, but will be able to set the tax credit off against part of this liability. The tax credit will, in consequence, satisfy only part of the Shareholder’s liability to income tax on the gross dividend and the Shareholder will have to account for income tax equal to 22.5 per cent. of the gross dividend (or 25 per cent. of the Non-PID Dividend received). For example, if the Shareholder received a Non-PID Dividend of £90 from the Company, the dividend received would carry a tax credit of £10 and therefore represent a gross dividend of £100. The Shareholder would then be required to account for UK income tax of £22.50 on the gross dividend, being £32.50 (32.5 per cent. of £100) less £10.

A Shareholder liable to income tax at the additional rate will be subject to income tax on the gross dividend at 37.5 per cent. to the extent that the gross dividend falls above the threshold for the additional rate of income tax. After setting off the tax credit comprised in the gross dividend, the Shareholder will, accordingly, have to account for income tax equal to 27.5 per cent. of the gross dividend (or 30.55 per cent. of the Non-PID Dividend received). For example, if the Shareholder received a Non-PID Dividend of £90 from the Company, the dividend received would carry a tax credit of £10 and therefore represent a gross dividend of £100. The Shareholder would then be required to account for UK income tax of £27.50 on the gross dividend, being £37.50 (i.e. 37.5 per cent. of £100) less £10.

(B) *Companies*

Non-PID Dividends received by a UK company from another UK resident company are in principle taxable but this is subject to a number of broad exemptions. It is expected that generally one of these would apply to exempt a UK resident corporate shareholder from tax on the receipt of any Non-PID Dividend from the Company in respect of the New Ordinary Shares.

(C) *Non-residents*

Non-UK resident Shareholders may be liable to foreign taxation on Non-PID Dividends paid by the Company. Shareholders who are not resident in the UK will not generally be able to claim payment from HMRC in respect of any part of the tax credit attaching to Non-PID Dividends paid by the Company. Such Shareholders should consult their own tax advisers concerning their tax liabilities on Non-PID Dividends.

(D) *Pension funds*

UK pension funds will not be entitled to any payment from HMRC in respect of the tax credit attaching to any Non-PID Dividend paid by the Company.

4. Stamp duty and SDRT

The following statements are intended as a general and non-exhaustive guide to the current UK stamp duty and SDRT position and apply regardless of whether or not a Shareholder is resident in the UK. They assume that New Ordinary Shares are not transferred to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or issuing depositary receipts.

5.1 *Issue of New Ordinary Shares*

No stamp duty or SDRT will generally be payable on the issue of New Ordinary Shares. Similarly, where New Ordinary Shares are credited in uncertificated form to an account in CREST, no liability to stamp duty or SDRT will generally arise.

5.2 *Subsequent dealings in New Ordinary Shares*

Any subsequent dealings in New Ordinary Shares will be subject to stamp duty or SDRT in the normal way. Subject to an exemption for certain low value transactions, the transfer on sale of New Ordinary Shares effected outside CREST will generally be liable to stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration payable (rounded up to the nearest multiple of £5) or, if an unconditional agreement to transfer New Ordinary Shares is not completed by a duly stamped transfer, such as where the transfer is effected in CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable.

PART 11

RESPONSIBLE PERSONS, DIRECTORS, CORPORATE GOVERNANCE AND EMPLOYEES

1. Persons responsible

The Directors, whose names appear at section 2 of this Part 11 below, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. McKay Directors

The following table sets out information relating to each of the Directors as at the date of this document:

<i>Name</i>	<i>Position</i>	<i>Date of birth</i>
Executive Directors		
Simon Perkins	<i>Managing Director</i>	03/05/1965
Giles Salmon	<i>Finance Director</i>	23/03/1966
Steven Mew	<i>Director</i>	21/04/1968
Non-Executive Directors		
David Thomas	<i>Chairman</i>	21/07/1944
Andrew Gulliford	<i>Senior Independent Director</i>	18/09/1946
Nigel Aslin	<i>Non-executive Director</i>	02/03/1949
Viscount Lifford	<i>Non-executive Director</i>	27/01/1949

The business address of the Directors is 20 Greyfriars Road, Reading, Berkshire, RG1 1NL.

3. Directors' profiles

The name, business experience and principal business activities outside the Group of the current Directors, as well as the date of their initial appointment as Directors, are set out below.

David Thomas, Chairman

David was appointed Chairman in July 2007, having been appointed a non-executive Director of the Company in September 2005. David is a Chartered Accountant and a member of the Audit, Nomination and Remuneration Committees.

In addition to this directorship, David holds the following directorships. He has not been a partner in any partnerships during the past five years.

<i>Company</i>	<i>Status</i>
Exterity Limited	Current (Director)
Chesham Building Society	Past: Non-Executive Director until June 2010

Andrew Gulliford, Senior Independent Director

Andrew was appointed a non-executive Director in April 2004. He is a Chartered Surveyor and former Deputy Senior Partner of Cushman & Wakefield Healey & Baker (formerly Healey and Baker) from 1977 until 2005. Andrew is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

In addition to this directorship, Andrew holds the following directorships. He has not been a partner in any partnerships during the past five years.

<i>Company</i>	<i>Status</i>
Helical Bar plc	Current
F&C UK Real Estate Investment Limited	Current
Glenstone Property Investment Limited	Past: Retired 2011

Nigel Aslin, *Non-executive Director*

Nigel was appointed a non-executive Director in May 2006. He is a Chartered Surveyor and former Partner responsible for Strutt & Parker's Thames Valley office from 2003 until his retirement from the partnership in 2009. Nigel is Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees.

Aside from this directorship and the previous role noted above, Nigel has not held any other directorships or been a partner in any partnerships during the past 5 years.

Viscount Lifford, *Non-executive Director*

Viscount Lifford was appointed a non-executive Director in September 2006. Previously he was a Director of Rathbones Brothers plc (until October 2006). He is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.

In addition to this directorship, Viscount Lifford holds the following directorships. He has not been a partner in any partnerships during the past five years.

<i>Company</i>	<i>Status</i>
Rathbone Investment Management (C.I.) Limited	Current (Chairman)

Simon Perkins, *Managing Director*

Simon joined McKay in August 2000 after ten years with business park developer, Arlington Securities plc. He was appointed a Director in April 2001 and Managing Director in January 2003. Simon is a member of the Nomination Committee. Simon serves as non-executive director on the board of Property Investment Holdings Limited, an Associated Company.

Aside from these directorships and those of the McKay Group, Simon has not held any other directorships or been a partner in any partnerships during the past 5 years.

Giles Salmon, *Finance Director*

Giles joined McKay in May 2011, and was appointed as Finance Director in August 2011. Previously he was Managing Director (2008 to 2010) and Finance Director (2003 to 2008) at BAA Lynton. He is a Chartered Accountant (FCA), qualified at Ernst & Young.

Aside from these directorships and those of the Group, Giles has not held any other directorships or been a partner in any partnerships during the past 5 years.

Steven Mew, *Director*

Steven joined the Company in September 2001, having spent 12 years with property consultants, Gooch Webster. He was appointed a Director in August 2002.

Aside from his directorships of the Group, Steven has not held any other directorships or been a partner in any partnerships during the past 5 years.

4. Interests of the Directors

4.1 *Interests of Directors in Ordinary Shares*

As at 28 January 2014 (being the latest practicable date prior to the publication of this document), the beneficial interests of the Directors in Ordinary Shares, together with such interests as are expected to subsist immediately following completion of the Capital Raising are set out in the following table:

	<i>As at 28 January 2014</i>		<i>Interests Immediately following completion of the Capital Raising⁽¹⁾</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital of McKay</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital of McKay</i>
McKay Directors				
David Thomas	96,558	0.210	123,058	0.134
Simon Perkins	94,515	0.206	123,515	0.135
Andrew Gulliford	35,000	0.076	40,300	0.044
Nigel Aslin	65,000	0.142	70,300	0.077
Viscount Lifford	34,000	0.074	60,000	0.065
Steven Mew	25,168	0.055	30,468	0.033
Giles Salmon	15,000	0.033	30,000	0.033
Total	<u>365,241</u>	<u>0.80</u>	<u>477,641</u>	<u>0.521</u>

Note:

(1) Figures are calculated assuming that no share options are exercised between the date of this document and completion of the Capital Raising, that 45,879,174 Ordinary Shares are issued in connection with Capital Raising and that the Directors take up the Open Offer Entitlements set out in section 10 of Part 1 above.

Taken together, the combined percentage interest of the Directors in the issued ordinary share capital of the Company as at 28 January 2014 was approximately 0.80 per cent. Taken together, and on the assumptions set out above, the combined percentage interest in the issued ordinary share capital of the Company of the Directors immediately following completion of the Capital Raising will be approximately 0.52 per cent.

Details of options and awards over Ordinary Shares held by the Directors are set out in section 4.2 below. Those options and awards are not included in the interests of the Directors shown in the table above.

4.2 *Interests of Directors in Ordinary Shares pursuant to the share-based incentive schemes*

A description of each of the Company's Employee Share Schemes can be found at section 9 below of this Part 11.

As at 28 January 2014, (being the latest practicable date prior to publication of this document), details of the awards granted to the executive Directors under the Employee Share plans are as follows:

Performance Share Plan (“PSP”)

<i>Executive Director</i>	<i>Date of grant</i>	<i>As at 31 March 2013</i>	<i>Granted</i>	<i>Vested</i>	<i>Lapsed</i>	<i>As at 28 January 2014</i>	<i>Final Vesting Date</i>
Simon Perkins	23.06.2011	231,371		–	–	231,371	23.06.2014
	13.06.2012	227,724		–	–	227,724	13.06.2015
	20.06.2013		207,724	–	–	207,724	20.06.2016
Steven Mew	23.06.2011	164,718		–	–	164,718	23.06.2014
	13.06.2012	162,121		–	–	162,121	13.06.2015
	20.06.2013		147,569	–	–	147,569	20.06.2016
Giles Salmon	23.06.2011	137,097		–	–	137,097	23.06.2014
	13.06.2012	134,942		–	–	134,922	13.06.2015
	20.06.2013		126,458	–	–	126,458	20.06.2016
Total						1,539,704	

Annual Bonus Scheme

<i>Executive Director</i>	<i>Date of grant</i>	<i>As at 31 March 2013</i>	<i>Granted</i>	<i>Vested</i>	<i>Lapsed</i>	<i>As at 28 January 2014</i>	<i>Final Vesting Date</i>
Simon Perkins	23.07.2012	15,611		–	–	15,611	22.07.2015
	24.07.2013		15,208	–	–	15,208	23.07.2016
Steven Mew	23.07.2012	11,114		–	–	11,114	22.07.2015
	24.07.2013		10,827	–	–	10,827	23.07.2016
Giles Salmon	23.07.2012	8,490		–	–	8,490	22.07.2015
	24.07.2013		9,012	–	–	9,012	23.07.2016
Total						70,262	

2001 Executive Share Option Scheme (“ESOS 2001”)

<i>Executive Director</i>	<i>Date of grant</i>	<i>As at 31 March 2013</i>	<i>Lapsed</i>	<i>Exercised</i>	<i>As at 28 January 2014</i>	<i>Exercise price</i>	<i>Exercise period</i>
Simon Perkins	30.06.2003	115,942	115,942			–	–
	08.07.2004	100,000		–	100,000	215.00	09.07.2007 - 07.07.2014
	30.06.2005	82,142		–	82,142	280.00	01.07.2008 - 29.06.2015
					182,142		
Steven Mew	30.06.2003	72,464	72,464				
	08.07.2004	62,792		–	62,792	215.50	09.07.2007 - 07.07.2014
	30.06.2005	51,428		–	51,428	280.00	01.07.2008 - 29.06.2015
					114,220		
Total					296,362		

5. Remuneration of the McKay Directors

5.1 Aggregate Directors’ Remuneration

This section provides information on the remuneration arrangements for the Directors. The aggregate remuneration for the Directors for the year ended 31 March 2013 was £989,879.

Details of the remuneration for Directors for the year ended 31 March 2013 were as follows:

	<i>Salary/Fee</i>	<i>Benefits</i>	<i>Bonus</i>	<i>Total 31 March 2013</i>	<i>Total 31 March 2012</i>	<i>Pension contribution</i>
	£	£	£	£	£	£
Executive Directors						
Simon Perkins	292,625	34,003	37,703	364,331	344,652	50,000 ¹
Steven Mew	208,325	20,891	26,842	256,058	240,906	37,499
Giles Salmon	173,400	23,808	22,342	219,550	146,253 ²	29,478
Non-executive Directors						
David Thomas	53,550	–	–	53,550	52,500	–
Viscount Lifford	32,130	–	–	32,130	31,500	–
Andrew Gulliford	32,130	–	–	32,130	31,500	–
Nigel Aslin	32,130	–	–	32,130	31,500	–
Totals	824,290	78,702	86,887	989,879	878,811	116,977

Notes:

1 Mr. S.C. Perkins also received a supplement of £7,491 in lieu of pension contributions above the HMRC annual allowance of £50,000.

2 Appointed a Director on 1 August 2011.

5.2 *Remuneration Review*

The Remuneration Committee undertook a review of the remuneration arrangements of the Executive Directors with the following outcomes presented to Shareholders at the Company's Annual General Meeting in July 2013:

Basic Salary and Benefits

For the year commencing 1 April 2013, the salary increases awarded to Mr. S.C. Perkins and Mr. S.R. Mew were 2 per cent. which was in line with increases awarded to employees generally. Mr. G.P. Salmon was awarded an increase of 5 per cent. to reflect his additional contribution after a full year as finance director.

PSP

Performance targets for the year to 31 March 2014 will be a combination of TSR and absolute NAV growth. The Remuneration Committee considered that the mix of NAV and TSR performance conditions provided an appropriate balance between focussing management on achieving both company-specific financial and relative stock market out-performance.

Annual Bonus Scheme

The performance conditions for the year to 31 March 2014 will be absolute NAV growth per share and absolute growth in earnings per share (EPS) with a 60/40 weighting towards NAV growth.

6. **Directors' Service Contracts and Letters of Appointment**

6.1 *Executive Directors*

	<i>Contract date</i>	<i>Company Notice Period</i>	<i>Executive Notice Period</i>
Executive Directors			
Simon Perkins	16 March 2004	12 months	6 months
Steven Mew	16 March 2004	12 months	6 months
Giles Salmon	2 May 2011	12 months	6 months

The service contracts of the executive Directors do not contain any predetermined provisions for compensation in the event of loss of office. The Remuneration Committee considers all proposals for

early termination of the service contracts of executive Directors and would observe the principle of mitigation.

6.2 *Non-executive Directors*

The letters of appointment of the non-executive Directors do not contain any predetermined provisions for compensation in the event of loss of office. The duration of appointment of each non-executive Director is subject to provisions of the Articles dealing with appointment and retirement by rotation.

7. **Corporate governance**

7.1 *Board practices*

The Board is firmly committed to high standards of corporate governance. Throughout the financial year ended 31 March 2013 the Company complied with the UK Corporate Governance Code. The 2012 UK Corporate Governance Code applied to the Company with effect from 1 April 2013 and as at the date of this document the Company is in full compliance.

7.2 *Board Structure*

Currently, the Board is composed of three executive directors and four non-executive directors. The roles of the Chairman and the Chief Executive are, and will continue to be, separate.

7.3 *Board Committees*

The Board has established an Audit Committee, Remuneration Committee and Nomination Committee, the details of which are set out below:

Audit Committee

Current Members

Viscount Lifford is identified as having recent and relevant financial experience as required by the Corporate Governance Code, and is chairman of the Audit Committee. Other members are Mr. A.E.G Gulliford, Mr. N Aslin and Mr. D.O. Thomas.

Summary of role and terms of reference

The Audit Committee's responsibilities include reviews and recommendations on internal control, half yearly management reports, external audit, the Group's financial statements and accounting policies and ensuring the independence of the Group's auditors. It discharges these responsibilities by holding bi-annual meetings with the external auditors to review these reports.

Remuneration Committee

Current Members

Mr. A.E.G Gulliford is Chairman of the Remuneration Committee. Other members are Mr. D.O. Thomas, Mr. N Aslin and Viscount Lifford.

Summary of role and terms of reference

The policy of the Remuneration Committee is to align the interests of the executive directors with those of shareholders by structuring the levels of basic salary and remuneration to attract, retain and motivate executive directors of the quality required and with appropriate skills to manage and develop the Group successfully.

In this regard when determining the structure of remuneration the Remuneration Committee aims to provide a proportion of the directors' remuneration through performance related elements, being an annual bonus and long term performance share plan.

The Remuneration Committee ensures that the remuneration policy strikes a sensible balance between fixed and performance linked pay and the use of different performance metrics measured over differing periods to discourage undue risk taking.

The Remuneration Committee also operates the PSP and the Annual Bonus Scheme in which executive Directors participate, including the determination of levels of award and performance conditions.

Nomination Committee

Current Members

The Nomination Committee consists of Mr. N. Aslin (Chairman), Mr. A.E.G. Gulliford, Mr. S.C. Perkins, Mr. D.O. Thomas and Viscount Lifford.

Summary of role and terms of reference

The Nomination Committee reviews the structure, size and composition of the Board and its committees and makes recommendations to the Board with regard to any changes. The Nomination Committee also considers succession planning for Directors and other senior executives and ensures a formal, rigorous and transparent procedure for the appointment of new Directors. Candidates are considered on merit with due regard to the benefits of diversity on the Board, including gender, to ensure the Board has the right balance of skills and experience necessary.

8. Employees

The average number of employees of the McKay Group for each of the previous three financial years was as follows:

	<i>31 March 2013</i>	<i>31 March 2012</i>	<i>31 March 2011</i>
Number of employees (excluding Directors)	10	10	10

As at 28 January 2014, the Group employed 11 persons (excluding Directors).

9. Employee Share Schemes

9.1 Performance Share Plan (“PSP”)

The Group operates a PSP which was formally approved by Shareholders at the Annual General Meeting of the Company on 25 July 2007 and amended by the Remuneration Committee on 22 February 2012. Any employee (including an executive Director) of the Company, or its subsidiaries, is eligible to participate in the PSP.

Under the PSP, share awards are granted to employees on an annual basis. During any financial year total awards may be granted to an employee of an equivalent value of up to 150 per cent. of their base salary or, in exceptional circumstances, up to 200 per cent. of their base salary.

Release of the shares is subject to the achievement of certain performance conditions over a three (financial) year period. Awards made under the PSP will vest on the later of the date on which the Remuneration Committee determines that the performance conditions have been satisfied and the third anniversary of the date of grant.

For the awards granted under the PSP on 20 June 2013, there are two performance conditions which must be met for the award to vest:

The Total Shareholder Return (“TSR”) performance condition – this applies to 60 per cent. of the shares awarded in any financial year. Under this condition the Company’s TSR over the three financial years following grant is measured against a comparator group of quoted real estate sector companies.

30 per cent. of the TSR based part of the award will vest if the Group’s TSR performance is at the median of the comparator group.

100 per cent. of the TSR based part of the award will vest if the Group’s TSR performance is at or above the upper quartile of the comparator group.

If the Group's TSR performance is between the median and upper quartile of the comparator group, the percentage of the award that will vest will be calculated pro rata on a ranked basis between 30 per cent. and 100 per cent.

The Net Asset Value ("NAV") performance condition – this applies to 40 per cent. of the shares awarded in any financial year. The NAV based part of the award will not vest at all unless the Company's average annual growth in NAV over the three financial years following grant matches or exceeds the average growth in RPIX plus 6 per cent. over the same period.

30 per cent. of the NAV based part of the award will vest if the average annual NAV growth matches RPIX plus 6 per cent.

100 per cent. of the NAV based part of the award will vest if the average annual NAV growth is 25 per cent. or more in excess of RPIX.

If the average annual NAV growth is between RPIX plus 6 per cent. and RPIX plus 25 per cent., the percentage of the award that will vest will be calculated on a pro rata basis between 30 per cent. and 100 per cent.

The Remuneration Committee reviews the appropriateness of the sliding scale ranges of each performance condition ahead of each award under the PSP and reserves the right to set different targets for future awards.

The TSR and NAV elements of the performance conditions are weighted 60/40 to reflect a focus on generating superior shareholder returns, given the long-term nature of the PSP. The Remuneration Committee considers that the mix of NAV and TSR performance conditions provide an appropriate balance between focussing management on achieving both company-specific financial and relative stock market out-performance.

The performance conditions are independently calculated by New Bridge Street and verified by the Remuneration Committee. The PSP is compliant with the ABI's dilution guidelines in that no more than 5 per cent. of share capital can be issued in any ten year period to satisfy awards under discretionary share schemes and no more than 10 per cent. of share capital can be issued in any ten year period to satisfy awards under all share schemes.

The rules of the PSP contain clawback provisions in the event of misstatement, error or misconduct.

Details of the awards granted to the executive Directors under the PSP are set out at section 4.2 above of this Part 11. As at 28 January 2014, (being the latest practicable date prior to publication of this document), the Company's employees (excluding the executive Directors) have been granted options over 625,193 shares under the PSP and the Annual Bonus Scheme, representing 1.63 per cent. of the issued share capital of the Company. The next tranche of the shares awarded under the PSP is due to vest in June 2014.

9.2 *Annual Bonus Scheme*

The Group operates an Annual Bonus Scheme. Any employee (including an executive Director) of the Company, or its subsidiaries, is eligible to participate in the Annual Bonus Scheme.

Under the Annual Bonus Scheme, the maximum potential bonus which may be awarded to a participant is 75 per cent. of annual base salary for executive Directors, 60 per cent. of annual base salary for senior staff and 30 per cent. of annual base salary for junior staff. The Remuneration Committee may decide what proportion of the bonus (if any) should be granted by way of shares, as opposed to cash.

Under the Annual Bonus Scheme, at the start of each financial year the Company (at the direction of the Remuneration Committee) must send a letter to each relevant employee informing them that they have been selected to participate in the Annual Bonus Scheme, what the performance conditions are and the maximum potential bonus that could be earned if the performance conditions are met in full for the coming financial year. The amount of bonus earned depends upon the extent (if at all) to which the performance conditions are met over the relevant financial year.

For the year to 31 March 2013, there were two performance conditions under the Annual Bonus Scheme:

The Net Asset Value (“NAV”) performance condition – this applied to 60 per cent. of the maximum bonus to be awarded in any financial year. Under this condition, 30 per cent. of the bonus would be awarded if growth in NAV/share (EPRA) was achieved of 3 per cent. to 10 per cent. in excess of RPIX, or 2 per cent., whichever was the higher. The percentage of the bonus payable would increase from this threshold performance to 100 percent. on a straight line basis. For the year to 31 March 2013 the NAV performance condition was not met.

The Earnings Per Share (“EPS”) performance condition – this applied to 40 per cent. of the maximum bonus to be awarded in any financial year. For the year to 31 March 2013 the target based on adjusted profit before tax was 11.4p per share to 14.7p per share. 30 per cent. of the bonus would be awarded if the 11.4p target was achieved, increasing to 100 per cent. if the 14.7p target was achieved, with the percentage calculated on a straight line basis for values between 11.4p and 14.7p. For the year to 31 March 2013 an adjusted EPS of 11.8p was achieved, resulting in an outturn of 43 per cent. of the maximum bonus awardable under the EPS element of the Annual Bonus Scheme.

For the financial year ended 31 March 2013, the partial achievement of the performance conditions described above resulted in a potential bonus of 17 per cent. of the maximum available. The Remuneration Committee resolved that 60 per cent. of that bonus should be granted by way of shares with a three year vesting period.

In considering performance targets for the year 31 March 2014 the Remuneration Committee retained the NAV and EPS conditions. The NAV condition remained unchanged from the previous financial year and the sliding scale range of the EPS condition was set by the Remuneration Committee to reflect the strategic plan for the year to 31 March 2014. The Remuneration Committee will continue to look carefully at the treatment of non-recurring items and other factors in the EPS calculation and use their discretion to ensure that the EPS performance delivered is reflective of the Company’s underlying business performance.

The rules of the Annual Bonus Scheme contain clawback provisions in the event of misstatement, error or misconduct.

Details of the awards granted to the executive Directors under the Annual Bonus Scheme are set out at section 4.2 above of this Part 11. As at 28 January 2014, (being the latest practicable date prior to publication of this document), the Company’s employees (excluding the executive Directors) have been granted options over 625,193 shares under the PSP and the Annual Bonus Scheme, representing 1.63 per cent. of the issued share capital of the Company. The first tranche of the shares awarded under the Annual Bonus Scheme are due to vest in July 2015.

9.3 **2001 Executive Share Option Scheme (“ESOS 2001”)**

The Group formerly operated an Executive Share Option Scheme, now extant, which was adopted by the Company on 5 December 2001. Any employee (including a Director) of the Company or its subsidiaries was eligible to participate in the ESOS 2001.

Employees were only able to exercise options granted under the ESOS 2001 if certain performance conditions were satisfied. All performance conditions under the ESOS 2001 have now been satisfied, but not all options have been exercised or have lapsed.

Details of the remaining options granted to the executive Directors under the ESOS 2001 are set out at section 4.2 above of this Part 11. As at 28 January 2014, (being the latest practicable date prior to publication of this document), the Company’s employees (excluding the executive Directors) have options over 208,032 shares pursuant to the ESOS 2001, representing 0.45 per cent. of the issued share capital of the Company.

10. Pension benefits

The Group operates a defined benefit pension scheme in the UK providing benefits based on final pensionable salary. This has been closed to new entrants since 1989.

The assets of the scheme are held separately from those of the Group, being invested with insurance companies and managed funds. The contributions are determined by a qualified actuary on the basis of a triennial valuation using the attained age method. The most recent actuarial valuation was as at 31 March 2011. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment returns would be 5.0 per cent. per annum. A contribution rate of 41.2 per cent. of total pensionable salaries was recommended to meet the cost of accruing liabilities. Premiums for death benefits and scheme administration are in addition to this rate. The most recent actuarial valuation showed that the market value of the scheme's assets was £5,265,000 which represents 82 per cent. of the scheme's liabilities on an SFO basis, after allowing for future expected increases in earnings. At the 31 March 2011 actuarial valuation the scheme was 82 per cent. funded on the continuing valuation basis. A recovery plan and schedule of contributions has been agreed designed to address this shortfall.

The Group also contributes to eligible employees defined contribution personal pension plans and does not accept any responsibility for the benefits gained from these plans.

The Group operates a money purchase pension scheme for the executive Directors. In the year ended 31 March 2013, pension contributions made by the Group in respect of the McKay executive Directors were:

<i>Executive Director</i>	<i>Contribution (£)</i>
Simon Perkins	50,000 ⁽¹⁾
Steven Mew	37,499
Giles Salmon	29,478

Note:

(1) Simon Perkins also received a supplement of £7,491 in lieu of pension contributions above the HMRC annual allowance of £50,000.

11. Directors' confirmations

None of the Directors have, during the five years prior to the date of this document:

- (a) been convicted in relation to a fraudulent offence;
- (b) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company;
- (c) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
- (d) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

12. Conflicts of interest

In respect of any Director, there are no actual or potential conflicts of interests between any duties they have to the Company, either in respect of the Capital Raising or otherwise, and the private interests and/or other duties they may also have. Save as disclosed in this Part 11, there are no interests, including conflicting ones, that are material to the Capital Raising.

No Director has a material interest in any significant contract with the Company or any of its subsidiaries.

No Director was selected to be a director of the Company pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Group.

No restrictions have been agreed by any Director on the disposal within a certain period of time of his holding in the Company.

There are no family relationships between any of the Directors.

PART 12

ADDITIONAL INFORMATION

1. The Company

The Company was incorporated and registered in England and Wales on 14 October 1946 with registered number 421479 as a company limited by shares under the Companies Act 1929 with the name McKay Securities plc.

The principal legislation under which the Company operates, and pursuant to which the New Ordinary Shares will be created, is the Companies Act and regulations made thereunder.

The Company is domiciled in the United Kingdom and its registered and head office is at 20 Greyfriars Road, Reading, Berkshire RG1 1NL.

The Existing Ordinary Shares are listed on the Official List of the London Stock Exchange. The ISIN of the Existing Ordinary Shares is GB0005522007.

KPMG Audit plc, whose address is 15 Canada Square, London, E14 5GL, has been the only auditors of the Company in the period covered by the financial information incorporated by reference into this document. KPMG is a member of the Institute of Chartered Accountants in England and Wales and has no material interest in the Company.

2. Share Capital

2.1 Issued Share Capital

The following table shows the issued share capital of the Company as at 28 January 2014, being the latest practicable date prior to the publication of this document, and the issued share capital of the Company following completion of the Capital Raising (assuming that 45,879,174 New Ordinary Shares are issued under the Capital Raising and no exercise of rights under the Employee Share Schemes before such time):

	<i>Ordinary Shares as at 28 January 2014</i>		<i>Ordinary Shares following completion of the Capital Raising</i>	
	<i>Number</i>	<i>Nominal value (£)</i>	<i>Number</i>	<i>Nominal value (£)</i>
Issued and fully paid	45,879,174	9,176,000	91,758,348	18,352,000

All the Ordinary Shares in issue on 28 January 2014 have been fully paid up, and the Company held no Ordinary Shares in treasury.

During the period covered by the historical financial information incorporated by reference into this document, other than in connection with the Employee Share Schemes, there has been no issue of ordinary share capital of the Company, fully or partly paid, either in cash or for other consideration, and (other than in connection with the Capital Raising or the Employee Share Schemes) no such issues are proposed.

There are no Ordinary Shares held by or on behalf of the Company itself or by any of the subsidiaries of the Company. The Company has not issued any convertible securities, exchangeable securities or securities with warrants, and (with the exception of options granted under the Employee Share Schemes) there are no acquisition rights and/or obligations over unissued share capital or any undertakings to increase the share capital of the Company.

The Existing Ordinary Shares are admitted to the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the main market for listed securities of the London Stock Exchange.

2.2 *History of ordinary share capital*

As at 1 April 2010, being the first day covered by the historical financial information incorporated by reference in this document, the Company's issued share capital comprised 45,792,655 Ordinary Shares of 20 pence each. The history of the Company's ordinary share capital during the period covered by the historical financial information incorporated by reference into this document was as follows:

Financial year ended 31 March 2011

The issued share capital of the Company as at 31 March 2011 comprised 45,879,174 Ordinary Shares of 20 pence each following the allotment of 86,519 Ordinary Shares under the PSP.

Financial year ended 31 March 2012

The issued share capital of the Company as at 31 March 2012 comprised 45,879,174 Ordinary Shares of 20 pence each.

Financial year ended 31 March 2013

The issued share capital of the Company as at 31 March 2013 comprised 45,879,174 Ordinary Shares of 20 pence each.

Half year ended 30 September 2013

The issued share capital of the Company at 30 September 2013 comprised 45,879,174 Ordinary Shares 20 pence each.

2.3 *Existing shareholder authorities*

At the Annual General Meeting of the Company on 18 July 2013, the following resolutions were passed:

As an ordinary resolution:

THAT the Directors be generally and unconditionally authorised in substitution for the authority conferred on the Board by the relevant ordinary resolution passed at the AGM of the Company held in 2012 to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

- (A) *up to a nominal amount of £3,058,611 (such amount to be reduced by the nominal amount allotted or granted under paragraph (B) below in excess of such sum); and*
- (B) *comprising equity securities (as defined in Section 560(1) of the Companies Act 2006) up to a nominal amount of £6,117,223 (such amount to be reduced by any allotments or grants made under paragraph (A) above) in connection with an offer by way of a rights issue:*
 - (i) *to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and*
 - (ii) *to holders of other equity securities as required by the rights of those securities or as the Directors otherwise considers necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of next year's AGM (or, if earlier, until the close of business on 30 September 2014) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require*

shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

As a special resolution:

That if [the ordinary resolution above] is passed, the Directors be given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:

- (A) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of [the ordinary resolution above], by way of a rights issue only):*
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and*
 - (ii) to holders of other equity securities, as required by the rights of those securities, or as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and*
 - (iii) in the case of the authority granted under paragraph (A) of resolution 8 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (A) above) of equity securities or sale of treasury shares up to a nominal amount of £458,791*

such power to apply until the end of next year's AGM (or, if earlier, until the close of business on 30 September 2014) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

As a special resolution:

THAT the Company be authorised for the purposes of Section 701 of the Companies Act 2006 to make one or more market purchases (as defined in Section 693(4) of the Companies Act 2006) of its ordinary shares of 20 pence each ("Ordinary Shares"), such power to be limited:

- (A) to a maximum number of 4,587,917 Ordinary Shares;*
- (B) by the condition that the minimum price which may be paid for an Ordinary Share is the nominal amount of that share and the maximum price which may be paid for an Ordinary Share is the highest of:*
 - (i) an amount equal to 5 per cent. above the average market value of an Ordinary Share for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and*
 - (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out, in each case, exclusive of expenses; such power to apply until the end of next year's AGM (or, if earlier, 30 September 2014) but in each case so that the Company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the power ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the power had not ended.*

2.4 *Shareholder authority*

At the General Meeting, Shareholders will be asked to consider and vote on the Resolutions, further details of which are set out in section 15 of Part 1 (*Letter from the Chairman of McKay*) of this document

3. **The Articles**

The Articles are available for inspection at the address specified in section 16 of this Part 12 below. The Company's Memorandum of Association no longer sets out the objects of the Company, and its objects are unrestricted save to the extent otherwise provided in the Articles.

The Articles contain provisions, amongst others, to the following effect:

3.1 *Limited liability*

The liability of the Company's members is limited to the amount, if any, unpaid on the shares in the Company held by them.

3.2 *Change of name*

The articles allow the Company to change its name by resolution of the Board. This is in addition to the Company's statutory ability to change its name by special resolution under the Companies Act.

3.3 *Share rights*

Subject to exiting Shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide. Redeemable shares may be issued, and the Board may determine the terms, conditions and manner of redemption of such shares. Subject to the Articles and to any resolution passed by the Company, unissued shares are at the disposal of the Board.

3.4 *Voting rights*

Subject to any rights or restrictions attaching to any class of shares, every member and every duly appointed proxy present at a general meeting or class meeting has, upon a show of hands and, upon a poll, one vote for every share held by him. In the case of joint-holder votes, the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share.

3.5 *Restrictions*

No member shall be entitled to attend or vote (either personally or by proxy), unless the Board determines otherwise, at any general meeting or class meeting in respect of any share held by him if any call or other sum then payable by him in respect of that share remains unpaid.

3.6 *Dividends and distributions*

Subject to applicable law, the Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends, and also any fixed dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable for any losses that shareholders may suffer because a lawful dividend has been paid on other shares which rank equally with or behind their shares.

The Board may deduct from any dividend or other monies payable on or in respect of any shares all sums of money (if any) payable to the Company on account of calls or otherwise in respect of that share.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends shall be apportioned and paid pro rata according to the amounts paid up on the share during any portion of the period in respect of which the dividend is paid.

Subject to the rights attaching to, or the terms of issue of, any share, no dividend or other monies payable on or in respect of a share shall bear interest as against the Company. Any dividend unclaimed after a period of 12 years from the date when it was declared shall be forfeited and revert to the Company unless the Board decides otherwise.

3.7 *Variation of rights*

Subject to applicable law, the Company can vary the rights attached to any class of shares if this is approved either in writing by the Shareholders holding at least three quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or by a special resolution held passed at a separate meeting of the holders of the relevant class of shares.

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

3.8 *Disclosure of interest in shares*

Section 793 of the Companies Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a shareholder receives a statutory notice of this nature, he or she has 14 days to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (a “**restriction notice**”). The restriction notice will state that the identified shares no longer give the shareholder any right to attend or vote at a shareholders’ meeting or to exercise any other right in relation to shareholders’ meetings.

Once the restriction notice has been given, if the Directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, cancel the restriction notice. If a shareholder receives a restriction notice, he/she can ask the Company for a written explanation of why the notice was given or why it has not been cancelled. The Company must respond within 14 days of receiving the request. The Articles do not restrict in any way the provisions of section 793 of the Companies Act.

3.9 *Form and transfer of shares*

The Shares are in registered form. Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form, with the transfer of shares by means of a relevant system, with any provision of the legislation and rules relating to uncertificated shares or with the Company doing anything by means of a relevant system.

Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer must be signed by or on behalf of the transferor and (in the case of a partly-paid share) the transferee.

The transferor of a share is deemed to remain the holder until the transferee’s name is entered in the register.

The Board can decline to register any transfer of any share which is not a fully paid share. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer:

- (A) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
- (B) is in respect of only one class of share; and
- (C) if to joint transferees, is in favour of not more than four such transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0.25 per cent. interest if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

3.10 *Alteration of share capital*

Any resolution authorising the Company to sub-divide any of its shares may determine that, as between the shares resulting from the sub-division, any of them may have a preference or advantage or be subject to any restriction as compared with the others.

3.11 *General meetings*

The Articles rely on the Companies Act provisions dealing with the calling of general meetings. The Companies Act provides that a general meeting (other than an adjourned meeting) must be called by at least 21 days' notice in the case of an annual general meeting and at least 14 days' notice in the case of any other general meeting provided certain conditions are met. Notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website and must be sent to every member and every director. It must state the place, date and time of the meeting and the general nature of the business to be dealt with at the meeting. A notice calling an annual general meeting must state that the meeting is an annual general meeting. Each Director shall be entitled to attend and speak at any general meeting. The chairman of the meeting may invite any person to attend and speak at any general meeting where he considers that this will assist in the deliberations of the meeting.

3.12 *Borrowings*

The Directors may exercise all the powers of the Company to, amongst other things, borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors are obliged to restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure that the aggregate principal amount from time to time outstanding of all borrowings by the Group excluding intra-group borrowings shall not at any time exceed five times the adjusted capital and reserves (as defined in the Articles) unless approved by ordinary resolution.

3.13 *Appointment of directors*

The number of directors of the Company shall be not less than two and not more than 10 in number. The shareholders may by ordinary resolution vary the minimum and/or maximum number of directors. There is no requirement for a director of the Company to hold any shares in the Company.

The Company may, by passing an ordinary resolution, elect any person to be a director, either as an additional director or to fill a vacancy. A director appointed by the Board holds office only until the next following annual general meeting of the Company and is then eligible for re-appointment.

3.14 *Interests of directors*

The Board may, subject to the provisions of the Articles, authorise any matter which would otherwise involve a director breaching his duty under the Companies Acts to avoid conflicts of interest. Where the Board gives authority in relation to a conflict of interest or where any of the situations described in (A) to (E) below applies in relation to a director, the Board may (a) require the relevant director to be excluded from the receipt of information, the participation in discussion and/or the making of decisions related to the conflict of interest or situation; (b) impose upon the relevant director such other terms for the purpose of dealing with the conflict of interest or situation as it may determine; and (c) may provide that the relevant director will not be obliged to disclose information obtained otherwise than through his position as a director of the Company and that is confidential to a third party or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence. The Board may revoke or vary such authority at any time.

Subject to the provisions of the Companies Act, and provided he has declared the nature and extent of his interest to the Board as required by the Companies Act, a director may:

- (A) be party to, or otherwise interested in, any contract with the Company or in which the Company has a direct or indirect interest;
- (B) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including remuneration, as the Board may decide;
- (C) act by himself or through a firm with which he is associated in a professional capacity for the Company or any other company in which the Company may be interested (otherwise than as auditor);
- (D) be or become a director or other officer of, or employed by or a party to a transaction or arrangement with, or otherwise be interested in any holding company or subsidiary company of the Company or any other company in which the Company may be interested; and
- (E) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

A director shall not, by reason of his office be liable to account to the Company or its members for any benefit realised by reason of having an interest permitted as described above or by reason of having a conflict of interest authorised by the Board and no contract shall be liable to be avoided on the grounds of a director having any such interest.

3.15 *Remuneration of directors*

Each of the directors shall be paid a fee at such rate as may from time to time be determined by the Board, but the aggregate of all such fees so paid to the directors shall not exceed £250,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company.

Any director who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a director, may be paid such extra remuneration as the Board or any committee authorised by the Board may determine. Each director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board, or committees of the Board or of the Company or any other meeting which as a director he is entitled to attend, and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a director.

The Board or any committee authorised by the Board may authorise the provision of benefits, either by way of payment of gratuities or pensions or by insurance or in any other manner, for any director or former director or the relations, or the dependants of, or any person connected to any director or former director, provided that no benefits (except such as may be provided for subject to the Articles) may be granted to a director or former director who has not been employed by, or held an executive office or place of profit under the Company or any body corporate which is or was previously a subsidiary of the Company, without the approval of an ordinary resolution.

3.16 *Indemnity of directors*

To the extent permitted by the Companies Acts, the Company may indemnify any director or former director of the Company or any associated company against any liability and may purchase and maintain for any director or former director of the Company or any associated company insurance against any liability.

3.17 *Removal of directors*

At every annual general meeting, any director who has been appointed by the Board since the last annual general meeting, or who held office at the time of the two preceding annual general meetings and did not retire at either of them, or who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for reappointment by the members. If he is reappointed he shall be treated as continuing in office throughout.

In addition to any applicable law the Company may by special resolution remove any director before the expiration of his period of office and may (subject to the Articles) by ordinary resolution appoint another director in his place.

3.18 *Proceedings of the Board*

Pursuant to the Articles, the Board may decide when and where to have meetings and how they will be conducted. The Board can also adjourn meetings. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers and discretions exercisable by the Board. A meeting of the Board can be called by any director.

The Board may appoint any director as chairman or as deputy chairman and can remove him from that office at any time. If no chairman or deputy chairman has been appointed, or if at any meeting of the directors no chairman or deputy chairman is present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be chairman of the meeting.

Questions arising at any meeting of the Board shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

The Board may delegate any of its powers, authorities or discretions to committees consisting of such person or persons as it thinks fit and any committee formed shall conform to any regulations imposed by the Board. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in the Articles for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.

All or any of the members of the Board or any committee may participate in a meeting of the Board by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other. A person so participating shall be deemed to be present at the meeting and shall be entitled to vote and to be counted in the quorum.

A resolution in writing signed by all directors for the time being entitled to receive notice of a meeting of the Board shall be valid and effectual as a resolution passed at a meeting.

Summary of REIT provisions in the Articles

3.19 Introduction

The Articles contain provisions designed to enable the Company to demonstrate to HMRC that it has taken “reasonable steps” to avoid paying a dividend (or making any other distribution) to any Substantial Shareholder (as defined in the Articles).

If a distribution is paid to a Substantial Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge. The Articles contain a special article for this purpose (the “**Special Article**”).

The Special Article:

- (A) provides directors with powers to identify its Substantial Shareholders (if any);
- (B) prohibits the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (C) allows dividends to be paid on Ordinary Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its Ordinary Shares; and
- (D) seeks to ensure that if a dividend is paid on Ordinary Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in the preceding section are not in place, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

The effect of the Special Article is explained in more detail below.

3.20 Identification of Substantial Shareholders

The share register of the Company records the legal owner and the number of Ordinary Shares they own but does not identify the persons who are beneficial owners of the shares or are entitled to control the voting rights attached to the shares or are beneficially entitled to dividends. While the requirements for the notification of interests in shares provided in the Disclosure and Transparency Rules enacted under the Financial Services and Markets Act 2000 and the Board’s rights to require disclosure of such interests (pursuant to Part 22 of the Companies Act) should assist in the identification of Substantial Shareholders, those provisions are not on their own sufficient.

Accordingly, the Special Article requires a Substantial Shareholder and any registered Shareholder holding Ordinary Shares on behalf of a Substantial Shareholder to notify the Company if his Ordinary Shares form part of a Substantial Shareholding. Such a notice must be given within two Business Days. The Special Article gives the Board the right to require any person to provide information in relation to any Ordinary Shares in order to determine whether the shares form part of a Substantial Shareholding. If the required information is not provided within the time specified (which is seven days after a request is made or such other period as the Board may decide), the Board is entitled to impose sanctions, including withholding dividends (as described in section 3.22 of this Part 12 below) and/or requiring the transfer of the Ordinary Shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in section 3.24 of this Part 12 below).

3.21 Preventing payment of a dividend to a Substantial Shareholder

The Special Article provides that a dividend will not be paid on any Ordinary Shares that the Board believes may form part of a Substantial Shareholding unless the Board is satisfied that the Substantial Shareholder is not beneficially entitled to the dividend.

If in these circumstances payment of a dividend is withheld, the dividend will be paid subsequently if the Board is satisfied that:

- (A) the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also section 3.22 of this Part 12 below);

- (B) the shareholding is not part of a Substantial Shareholding;
- (C) all or some of the Ordinary Shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Substantial Shareholder (in which case the dividends will be paid to the transferee); or
- (D) sufficient Ordinary Shares have been transferred (together with the right to the dividends) such that the Ordinary Shares retained are no longer part of a Substantial Shareholding (in which case the dividends will be paid on the retained Ordinary Shares).

For this purpose references to the “**transfer**” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that share.

3.22 *Payment of a dividend where rights to it have been transferred*

The Special Article provides that dividends may be paid on Ordinary Shares that form part of a Substantial Shareholding if the Board is satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, a Substantial Shareholder and the Board may be satisfied that the right to the dividend has been transferred if it receives a certificate containing appropriate confirmations and assurances from the Substantial Shareholder. Such a certificate may apply to a particular dividend or to all future dividends in respect of Ordinary Shares forming part of a specified Substantial Shareholding, until notice rescinding the certificate is received by the Company. A certificate that deals with future dividends will include undertakings by the person providing the certificate:

- (A) to ensure that the entitlement to future dividends will be disposed of; and
- (B) to inform the Company immediately of any circumstances which would render the certificate no longer accurate.

The directors may require that any such certificate is copied or provided to such persons as they may determine, including HMRC.

If the Board believes a certificate given in these circumstances is or has become inaccurate, then it will be able to withhold payment of future dividends (as described in section 3.20 of this Part 12 above). In addition, the Board may require a Substantial Shareholder to pay to the Company the amount of any tax payable (and other costs incurred) as a result of a dividend having been paid to a Substantial Shareholder in reliance on the inaccurate certificate. The Board may require a sale of the relevant shares and retain the amount claimed from the proceeds. Any such amount may also be recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

Certificates provided in the circumstances described above will be of considerable importance to the Company in determining whether dividends can be paid. If the Company suffers loss as a result of any misrepresentation or breach of undertaking given in such a certificate, it may seek to recover damages directly from the person who has provided it.

The effect of these provisions is that there is no restriction on a person becoming or remaining a Substantial Shareholder provided that the person who does so makes appropriate arrangements to divest itself of the entitlement to dividends.

3.23 *Trust arrangements where rights to dividends have not been disposed of by a Substantial Shareholder*

The Special Article provides that if a dividend is in fact paid on shares forming part of a Substantial Shareholding (which might occur, for example, if a Substantial Shareholding is split among a number of nominees and is not notified to the Company prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any person (who is not a Substantial Shareholder)

nominated by the Substantial Shareholder concerned. The person nominated as the beneficiary could be the purchaser of the shares if the Substantial Shareholder is in the process of selling down its holding so as not to cause the Company to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company.

If the recipient of the dividend passes it on to another person without being aware that the shares in respect of which the dividend was paid were part of a Substantial Shareholding, the recipient will have no liability as a result. However, the Substantial Shareholder who receives the dividend should do so subject to the terms of the trust and as a result may not claim to be beneficially entitled to those dividends.

3.24 *Mandatory sale of Substantial Shareholdings*

The Special Article also allows the Board to require the disposal of shares forming part of a Substantial Shareholding if:

- (A) a Substantial Shareholder has been identified and a dividend has been announced or declared and the Board has not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);
- (B) there has been a failure to provide information requested by the Board; or
- (C) any information provided by any person proves materially inaccurate or misleading.

In these circumstances, if the Company incurs a charge to tax as a result of one of these events, the Board may, instead of requiring the Shareholder to dispose of the Ordinary Shares, arrange for the sale of the relevant Ordinary Shares and for the Company to retain from the sale proceeds an amount equal to any tax so payable.

3.25 *Takeovers*

The Special Article does not prevent a person from acquiring control of the Company through a takeover or otherwise, although as explained above, such an event may cause the Group to cease to qualify as a UK REIT group.

3.26 *Other*

The Special Article also gives the Company power to require any Shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the Shareholder's entitlement to that treatment.

The Special Article may be amended by special resolution passed by the Shareholders in the future, including to give powers to the directors to ensure that the Company can comply with the close company condition described in the risk factor on page 21, which powers may include the ability to arrange for the sale of New Ordinary Shares on behalf of Shareholders.

4. **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) during the year preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Company and/or the Group.

5. **Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group: (a) in the two years immediately preceding the date of this document and are, or may be, material to the Group as at the date of this document; or (b) at any time which contain

provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

5.1 *Placing Agreement*

The Company has entered into a Placing Agreement dated 29 January 2014 with Oriel. Under the terms of the Placing Agreement, Oriel has agreed to use its reasonable endeavours to place the Firm Placed Shares and the Placing Shares with Placees at the Offer Price, subject, in respect of the Placing Shares, to clawback to the extent that they are taken up under the Open Offer.

The Company has agreed to:

- (A) pay to Oriel a fee equal to 5.25 per cent. of the gross proceeds raised pursuant to the Capital Raising, less £1.015 million;
- (B) reimburse Oriel for all of the reasonable out-of-pocket expenses incurred by Oriel in connection with its engagement (including all fees, costs, disbursements and expenses of Oriel's Legal Adviser (up to a cap of £25,000 plus VAT)); and
- (C) pay its own fees, costs and expenses of, or incidental to, the Capital Raising (including all fees payable in connection with Admission; all fees, costs and expenses of the Receiving Agent; all costs and expenses payable in connection with the printing, publication and distribution of all documents relating to the Capital Raising; and all fees, costs and expenses of the Company's professional advisers).

The Placing Agreement is conditional, amongst other things, upon Admission becoming effective by no later than 8.00 am on 19 February 2014 or such later time and/or date as Oriel and the Company may otherwise agree, being no later than 28 February 2014.

The Placing Agreement contains certain representations and warranties by the Company in favour of Oriel, including as to the accuracy of the information contained in this document, certain financial information and the Company's compliance with legislative and regulatory requirements. The Company has agreed to indemnify Oriel its directors, employees and other related persons against certain liabilities arising from the contents of this document, and other documents relating to the Capital Raising, losses arising from any breach of the Placing Agreement by the Company and in respect of certain other losses suffered or incurred in connection with the Capital Raising.

Oriel may terminate the Placing Agreement prior to Admission in certain specific circumstances, including (amongst other things) in the event of:

- (A) a breach of the Placing Agreement by the Company or any of the representations or warranties contained in it being, or becoming inaccurate, untrue or misleading; or
- (B) any change or development in financial, monetary, economic, political or market conditions in the UK or any member state of the EU, which, in Oriel's reasonable opinion, is likely to materially prejudice the success of the Capital Raising or make it impractical or inadvisable to proceed.

5.2 *Irrevocable Undertakings*

Pursuant to Deeds of Irrevocable Undertaking, the Family Shareholders (together holding 14,131,241 Existing Ordinary Shares in aggregate, representing approximately 31 per cent. of the Company's existing share capital), irrevocably undertake to the Company and Oriel on a several basis:

- (A) to vote and/or procure the vote all of the relevant shares in favour of the Resolutions;
- (B) not to subscribe or take up any right to subscribe for any of his, her or its Open Offer Entitlements under the Open Offer and to permit any and all of the New Ordinary Shares constituting such Open Offer Entitlement to be offered to or placed with such other person(s) as the Company (in consultation with Oriel) shall decide; and

- (C) not to sell or transfer or otherwise dispose of any or all of their relevant shares prior to the earlier to occur of Admission and 28 February 2014 without the prior consent of the Company.

5.3 *Banking facilities*

Royal Bank of Scotland plc Facility Agreement

The Company entered into an agreement with the Royal Bank of Scotland plc (“**RBS**”), dated 14 June 2002, as supplemented from time to time and as most recently supplemented on 7 December 2007, under which RBS has granted the Company a secured loan for a maximum of £35,000,000 (the “**RBS Facility**”). The RBS Facility expires on 31 March 2017, and must be drawn in tranches, with the final tranche being drawn no later than 31 December 2016. The interest charged on the loan is the aggregate of an applicable margin (as set out in the RBS Facility), LIBOR plus the lender’s costs. The RBS Facility contains customary representations, covenants and events of default. The RBS Facility also contains a number of financial covenants including (i) that the Company must ensure that the interest cover exceeds 120 per cent. and (ii) from the date of utilisation the proportion which the aggregate of all loans outstanding bears to the open market value of the charged properties does not exceed 70 per cent. The RBS Facility is secured against certain properties owned by the Company.

Lloyds TSB Facility Agreement

The Company entered into a loan agreement with Lloyds TSB Bank plc (“**Lloyds**”) dated 3 April 2002, amended and restated from time to time and as most recently amended and restated on 23 January 2008 pursuant to which Lloyds agreed to provide a revolving credit facility and a committed revolving overdraft facility in an aggregate amount of £47,000,000 (the “**Lloyds Facility**”). The maximum aggregate amount outstanding under the Lloyds Facility shall not exceed £47,000,000, provided that the maximum amount outstanding under the overdraft facility shall not exceed £2,000,000. The Lloyds Facility repayment date is 28 February 2016. The Lloyds Facility is secured by a first legal mortgage over certain properties owned by the Company. Each loan under the term loan facility must be repaid on the last day of its interest period and any amounts repaid are available for redrawing. The interest charged on the loan is the aggregate of an applicable margin (as set out in the Lloyds Facility), LIBOR plus the lender’s costs, and the interest charged on the overdraft facility balance outstanding shall be at a set margin above the banks base rate (as defined in the Lloyds Facility) from time to time, and shall be payable quarterly in arrears. The Lloyds Facility requires the Company to comply with financial covenants including (i) a maximum ratio of aggregate borrowings on a consolidated basis to tangible net worth of 1.5:1, and (ii) a minimum ratio of aggregate rental income to net interest of 1.2:1. The Lloyds Facility contains customary representations, covenants and events of default.

Barclays Facility Agreement

The Company and certain of its subsidiaries entered into a loan agreement with Barclays Bank plc (“**Barclays**”) on 28 July 2006, as amended on 28 January 2008, pursuant to which Barclays agreed to provide a revolving credit facility of £38,000,000 (the “**Barclays Facility**”). The Barclays Facility is due to expire on 28 July 2016. Each loan under the Barclays Facility must be repaid on the last day of its interest period (plus interest) and any amounts repaid are available for redrawing, but the maximum aggregate amount outstanding must not exceed 70 per cent. of the aggregate of the most recently approved valuations of the secured properties. The Barclays Facility is secured by a first legal mortgage over certain properties owned by the Company. The interest charged on the loan is the aggregate of an applicable margin (as set out in the Barclays Facility), LIBOR plus the lender’s costs. The Barclays Facility requires McKay to comply with financial covenants including (i) a maximum ratio of aggregate borrowings on a consolidated basis to tangible net worth of 1.5:1, and (ii) a minimum ratio of aggregate rental income to net interest of 1.2:1. The Barclays Facility contains customary representations, covenants and events of default.

Santander Facility

The Company entered into a £35,000,000 revolving loan facility dated 14 December 2007 and Santander UK plc (“**Santander**”) (to whom Alliance & Leicester plc’s business was transferred under Part VII of the Financial Services and Markets Act 2000), as amended and restated on 19 April 2012 (the “**Santander Facility**”). The loan must be repaid in full by 21 December 2017. The Santander Facility is guaranteed by Baldwin House Limited (a wholly owned subsidiary of the Company), and is secured against certain properties owned by the Company and Baldwin House Limited. Each loan under the Santander Facility must be repaid on the last day of its interest period and any amounts repaid are available for redrawing, but the maximum aggregate amount outstanding shall not exceed 70 per cent. of the aggregate of the open market value of the secured properties. The Santander Facility requires the Company to comply with financial covenants including (i) a maximum ratio of aggregate borrowings on a consolidated basis to tangible net worth of 1.5:1, and (ii) maintaining a minimum of group rental income to group borrowing costs for each relevant period of 120 per cent. The Santander Facility contains customary representations, covenants and events of default.

As at 31 March 2013 there was a significant safety margin in relation to the income and loan to value covenants required by the Group’s banking facilities. The Board closely monitors compliance with these covenants and believes there is sufficient headroom in all covenants to meet financial projections.

5.4 *Interest rate swaps*

The Company has three interest rate swap arrangements with RBS and Lloyds, including a £75,000,000 swap (the “**£75m swap**”) with RBS governed by an ISDA Master Agreement (the “**RBS Master Agreement**”), and two swaps with Lloyds governed by an ISDA Master Agreement (the “**Lloyds Master Agreement**”) – a £25,000,000 swap (the “£25m swap”) and a £5,000,000 swap (the “£5m swap”). The swap rates range from 4.31 per cent. to 5.17 per cent. Provision is made within the terms of the financial instruments for the counterparty bank to determine the instruments by invoking credit breaks, the first of which is in 2016. The terms of the swap arrangements extend security provided for under the RBS Facility and the Lloyds Facility (described above) to cover amounts outstanding under the swaps.

The £75m swap

The termination date for the £75m swap is September 2032. However, under a confirmation dated 11 February 2011, there are two additional termination events:

- (A) exercisable in September 2014 is an option to terminate exercisable by RBS only, but at zero cost. (There would be no cost to the Company if RBS exercised this option); and
- (B) the cash settlement payment dates in September 2022 and 2027, which are credit breaks exercisable by either party, with marked-to-market paid and/or received.

The £25m swap

The termination date for the £25m swap is 11 October 2038. However, under a confirmation dated 8 February 2011, Lloyds has the right to terminate in January 2016 (prior to the repayment date for the Lloyds facilities).

The £5m swap

The termination date for the £5m swap is December 2032, however, either party can terminate in December 2017 at which point there will be cash settlement of any outstanding amounts by the party which is out-of-the-money. Alternatively, Lloyds can terminate in December 2019 and this option would be at zero cost to either party.

Notice by a counterparty bank has been received stating they will exercise credit breaks (in 2016 and 2017) in respect of £30 million of the total notional sum of £105 million. This will require the mark to market value being paid or received at that time. As a result, the reported EPRA NAV per share for

the period ended 30 September 2013, which only excludes the negative value of hedging instruments to be held to expiry, was adjusted from 250 pence to 237 pence.

6. Related party transactions

Other than as disclosed in the financial information incorporated by reference into this document for the financial years ended 31 March 2011, 31 March 2012 and 31 March 2013, as well as the interim report for the six months ended 30 September 2013, there are no related party transactions by the Company or members of the Group that were entered into during the years ended 31 March 2011, 31 March 2012 and 31 March 2013 or the six months ended 30 September 2013. There have been no additional related party transactions by the Company or members of the Group that were entered into during the period between 30 September 2013 and 28 January 2014 (being the latest practicable date prior to the publication of this document).

7. Dividends

The following table sets out the dividend per Ordinary Share paid in respect of each of the financial years ended 31 March 2013, 31 March 2012 and 31 March 2011:

	<i>2013</i> <i>(pence)</i>	<i>2012</i> <i>(pence)</i>	<i>2011</i> <i>(pence)</i>	<i>2010</i> <i>(pence)</i>
Final dividend per Ordinary Share for each year ended 31 March	5.8	5.7	5.6	5.5
Interim dividend per Ordinary Share for each year ended 31 March	2.7	2.7	2.7	2.7

The interim dividend per Ordinary Share for the half year ending 30 September 2013 was 2.7 pence.

8. Working capital

The Company is of the opinion that, after taking into account existing available facilities to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this document.

9. No significant change

Save for the freehold acquisition of 1 Crown Square, Woking in January 2014 for £6.00 million, there has been no significant change in the trading or financial position of the Group since 30 September 2013, the date to which the Company's latest unaudited consolidated interim financial information was prepared.

10. Significant shareholdings

As at 28 January 2014 (being the latest practicable date prior to the publication of this document), the Company had been notified, including pursuant to DTR 5 of the Disclosure and Transparency Rules, of the following interests in its Ordinary Shares:

<i>Shareholder</i>	<i>Number of Shares</i>	<i>Percentage interest of issued ordinary share capital</i>
Norton Securities Limited	2,712,552	5.91
Rimpton Securities Limited	2,712,551	5.91
Mr Iain Alastair McKay	1,466,330	3.20

Save as disclosed in this section 10, the Company is not aware of any person who, as at 28 January 2014 (being the latest practicable date prior to the publication of this document), directly or indirectly, has a holding which is notifiable under English law.

Save as noted below in respect of the Concert Party, the Company and its Directors are not aware of any persons who, as at 28 January 2014 (being the latest practicable date prior to the publication of this document), directly or indirectly, jointly or severally, exercise or could exercise control over the Company

nor is it aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

As at 28 January 2014 (being the latest practicable date prior to the publication of this document), the following interests in Existing Ordinary Shares were held by members of the Concert Party:

<i>Shareholder</i>	<i>Number of Shares</i>	<i>Percentage interest of issued ordinary share capital</i>
Norton Securities Limited	2,712,552	5.91
Rimpton Securities Limited	2,712,551	5.91
Mr Iain Alastair McKay	1,466,330	3.20
M A Chilton & J R Chilton BF A/C	1,156,015	2.52
Mr Iain Alastair McKay 11P A/C	1,020,423	2.22
Mrs Margaret Anne Chilton	967,753	2.11
Iain Alastair McKay & Alastair James Mark McKay MSASC A/C (MSA)	658,075	1.43
Iain Alastair McKay & Andrew Simon Charles McKay MSAJM A/C (MSAL)	654,782	1.43
Iain Alastair McKay & Alastair James Mark McKay MSC A/C	653,337	1.42
Mr James Richard Chilton	582,911	1.27
M A Chilton & J R Chilton GSC A/C	558,817	1.22
Iain Alastair McKay & Alastair James Mark McKay MSK A/C	551,215	1.20
M A Chilton & J R Chilton MSA A/C	436,655	0.95
M A Chilton & J R Chilton MSS A/C	436,628	0.95
Iain Alastair McKay & Alastair James Mark McKay A/C DGS	401,895	0.88
M A Chilton & J R Chilton MSF A/C	401,229	0.87
Mr Andrew Simon Charles McKay	371,645	0.81
Mr A Chilton & J R Chilton MSC A/S	348,164	0.76
Mr Alastair James Mark McKay	269,798	0.59
Miss Sacha Lucinda Chilton	247,675	0.54
Mr Iain & Mrs Anne McKay A/C GSTS	241,435	0.53
Miss Arabella Charlotte McKay	233,876	0.51
Mrs Catriona Jane Littlehales	202,708	0.44
Mrs Fenella Nicholas	190,201	0.41
Mrs Candida Waters	121,728	0.27
Iain Alastair McKay & Alastair James Mark McKay BF A/C	99,543	0.22
Iain Alastair McKay & Alastair James Mark McKay GSC A/C	52,782	0.12
Mrs S J McKay	38,660	0.08
Mr J & Mrs M A Chilton GC Sett A/C	17,584	0.04
Mr A J R Chilton	7,859	0.02
Mrs V Chilton	2,708	0.01
Ben Nicholas	2,708	0.01
A J McKay EM A/C	1,354	0.00
A J McKay JM A/C	1,354	0.00
Mrs C J Littlehales JL A/C	1,354	0.00
Mrs C J Littlehales ML A/C	1,354	0.00
Total	17,825,658	38.85

The Concert Party are presumed to be acting in concert for the purposes of Rule 9 of the Takeover Code in respect of 17,825,658 Ordinary Shares, representing 38.85 per cent. of the Company's existing issued share capital.

Certain members of the Concert Party have irrevocably undertaken not to take up their Open Offer Entitlements in respect of 12,093,834 Existing Ordinary Shares, representing approximately 26 per cent. of the Company's existing issued share capital. This has allowed the Company to firm place the New Ordinary Shares representing those Open Offer Entitlements with certain institutional investors under the Firm Placing. As a result of having given the irrevocable undertakings, the effect of the Capital Raising should be to dilute the Concert Party's interests as a percentage of the Enlarged Share Capital.

None of the Shareholders referred to in this section 10 has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Shares held by them.

11. Subsidiaries

McKay is the parent company of the McKay Group. The following table contains a list of the subsidiaries of McKay:

<i>Name</i>	<i>Percentage ownership interest</i>	<i>Field of Activity</i>	<i>Country of Incorporation</i>	<i>Registered Office</i>
McKay subsidiaries				
Acreway Limited	100	Property investment and development	UK	20 Greyfriars Road, Reading, Berkshire RG1 1NL
Baldwin House Limited	100	Property investment and development	UK	20 Greyfriars Road, Reading, Berkshire RG1 1NL
Celina Holdings Limited	100	Property investment and development	Gibraltar	124 Irish Town, Gibraltar

The Company also has an investment in an associated undertaking, which represents 20 per cent. of the issued share capital of 450,000 £1 ordinary shares of Property Investment Holdings Limited. The company is engaged in property investment and development in mainly the office and industrial sectors of the South East of England, is unlisted and registered in England.

12. Property, plant and equipment

A report on the valuation of the Group's investment property portfolio, including details of the portfolio, is set out in the Property Valuation Report in Part 8 (*Property Valuation Report*). Other than those properties, the Group does not have any existing or planned material tangible fixed assets.

13. Consents

Oriel whose address is 150 Cheapside, London, EC2V 6ET has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

The auditors and reporting accountants of the Company are KPMG Audit plc, whose address is 15 Canada Square, London E14 5GL. KPMG Audit plc has given and has not withdrawn its written consent to the inclusion in this document of its accountant's report in Part 7 (*Unaudited Pro Forma Financial Information*) of this document in the form and context in which it appears, and has authorised the contents of that report for the purposes of paragraph 5.5.3(2)(f) of the Prospectus Rules. KPMG Audit plc is a member of the Institute of Chartered Accountants of England and Wales.

Mellersh & Harding LLP has given and has not withdrawn its written consent to the inclusion in this document of its name and its Property Valuation Report and references to it in the form and context in which they appear and has authorised, and accordingly takes responsibility for, the contents of that report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

14. Bases of selected financial information

In this document:

- (A) Unless otherwise stated, financial information reported under IFRS relating to the Company has been extracted or provided (without material adjustment) from the consolidated audited annual report and accounts for McKay for the years ended 31 March 2011, 31 March 2012 and 31 March 2013 and from the unaudited interim financial information of the Company for the six months ended 30 September 2013.
- (B) Unless otherwise stated, all prices quoted for Ordinary Shares are closing mid-market prices and are derived from the Daily Official List of the London Stock Exchange.
- (C) All share prices expressed in pence.

15. Third Party Sources

Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used, the source of such information has been identified wherever it appears in this document.

16. Documents available for inspection

Copies of the following documents:

- (A) the Articles;
- (B) the audited accounts of the Group for the three years ended 31 March 2011, 31 March 2012 and 31 March 2013 and the unaudited interim results for the six months ended 30 September 2013;
- (C) the consent letters referred to in section 13 of this Part 12 above;
- (D) the report from KPMG set out in section B of Part 7 (*Accountant's Report on Pro Forma Financial Information*) of this document;
- (E) the Property Valuation Report set out in Part 8 (*Property Valuation Report*) of this document; and
- (F) this document,

are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period from the date of publication of this document until Admission at:

- (A) the registered office of McKay, 20 Greyfriars Road, Reading, Berkshire RG1 1NL; and
- (B) the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY.

APPENDIX I

DOCUMENTS INCORPORATED BY REFERENCE

The following documentation, which was sent to McKay Shareholders at the relevant time and/or is available for inspection in accordance with section 16 of Part 12 (*Additional Information*), contains information which is relevant to the Capital Raising:

<i>Document</i>	<i>Section</i>	<i>Page numbers in such documents</i>
Financial statements for the year ended 31 March 2011 and independent audit report thereon	Consolidated statement of comprehensive income	34
	Group balance sheet	35
	Group cash flow statement	37
	Consolidated statement of changes in equity	39
	Notes to the financial statements	41-62
	Independent auditors report	32
Financial statements for the year ended 31 March 2012 and independent audit report thereon	Consolidated statement of comprehensive income	34
	Group balance sheet	35
	Group cash flow statement	37
	Consolidated statement of changes in equity	39
	Notes to the financial statements	41-62
	Independent auditors report	32
Financial statements for the year ended 31 March 2013 and independent audit report thereon	Consolidated statement of comprehensive income	34
	Group balance sheet	35
	Group cash flow statement	37
	Consolidated statement of changes in equity	39
	Notes to the financial statements	41-59
	Independent auditors report	32
Unaudited interim results for the six months ended 30 September 2013	Consolidated statement of comprehensive income	8
	Group balance sheet	9
	Group cash flow statement	10
	Consolidated statement of changes in equity	11
	Notes to the financial statements	12-18

Copies of the documents which are incorporated by reference in this document are available as provided in section 16 of Part 12 (*Additional Information*) of this document.

Information that is itself incorporated by reference in the above documents is not incorporated by reference into this document. It should be noted that, except as set forth above, no other portion of the above documents are incorporated by reference into this document.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded for the purpose of this document shall not be deemed, except as so modified or superseded, to constitute a part of this document.

APPENDIX II

DEFINITIONS

The definitions set out below apply throughout this document, unless the context requires otherwise.

‘Admission’	means the admission of the New Ordinary Shares to the premium listing segment of the Official List becoming effective in accordance with the Listing Rules and the admission of the New Ordinary Shares to trading on the London Stock Exchange’s main market becoming effective in accordance with the Admission and Disclosure Standards;
‘Admission and Disclosure Standards’	means the requirements contained in the publication ‘Admission and Disclosure Standards’ dated April, 2002 (as amended from time to time) containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s market for listed securities;
‘Annual Bonus Scheme’	means the McKay Annual Bonus Plan 2007 (as revised on 23 July 2012);
‘Application Form’	means the personalised application form on which Qualifying Non-CREST Shareholders may apply for New Ordinary Shares under the Open Offer;
‘Articles’	means the articles of association of the Company;
‘Board’	means the board of directors of the Company;
‘Bookrunner’	means Oriel;
‘Business Day’	means any day (other than a Saturday or Sunday) on which banks generally are open for business in London (other than solely for settlement and trading in Euro);
‘Capital Raising’	means the Firm Placing, the Placing and the Open Offer;
‘certificated’ or ‘in certificated form’	means a share or other security which is not in uncertificated form;
‘Closing Price’	means the closing middle market quotation of an Existing Ordinary Share as derived from the daily official list published by the London Stock Exchange;
‘Companies Act’	means the Companies Act 2006, as amended, modified or re-enacted from time to time;
‘Concert Party’	means the Shareholders listed in the table set out in section 10 of Part 12 (<i>Additional Information</i>) of this document;
‘Conditions’	means the conditions to the Capital Raising set out in section 8 of Part 1 (<i>Letter From the Chairman of McKay</i>) of this document and ‘Condition’ means any one of them;
‘Consent’	means any authorisation, order, recognition, grant, consent, licence, confirmation, clearance, permission or approval;

‘CREST’	means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
‘CREST Deposit Form’	means the CREST deposit form set out on page 2 of the Application Form;
‘CREST Manual’	means the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear UK on 15 July 1996, as amended);
‘CREST member’	means a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations);
‘CREST Proxy Instruction’	has the meaning ascribed to it in paragraph 6 of the notes to the Notice of General Meeting;
‘CREST Regulations’	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
‘CREST Shareholders’	means Shareholders holding Ordinary Shares in CREST in uncertificated form;
‘CREST sponsor’	means a CREST participant admitted to CREST as a CREST sponsor;
‘CREST sponsored member’	means a CREST member admitted to CREST as a sponsored member;
‘Daily Official List’	means the daily official list of the London Stock Exchange;
‘Dealing Day’	means a day upon which dealings in domestic securities may take place on and with the authority of the London Stock Exchange;
‘Directors’	means directors of McKay as at the date of this document and ‘Director’ means any one of them;
‘Disclosure and Transparency Rules’	means the disclosure and transparency rules made by the UK Listing Authority acting under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
‘EEA’ or ‘European Economic Area’	means the member states of the EU, Iceland, Norway and Liechtenstein;
‘EEA State’	means a member state of the EEA;
‘Employee Share Schemes’	means the PSP, the Annual Bonus Scheme and the ESOS 2001;
‘Enlarged Share Capital’	means the expected issued ordinary share capital of the Company immediately following the issue of the New Ordinary Shares pursuant to the Capital Raising;
‘EPRA’	means the standard calculation method for adjusted EPS and NAV as set out by the European Public Real Estate Association in their Best Practice and Policy Recommendations;

‘EPS’	means underlying earnings per share, before non-recurring items;
‘Equiniti’	means Equiniti Limited, or, in certain circumstances, Equiniti Financial Services Limited, an affiliate of Equiniti Limited, both of Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA;
‘ESOS 2001’	means the Executive Share Option Scheme adopted by the Company on 5 December 2001;
‘EU’	means the European Union;
‘euro’ or ‘€’	means the single currency of the member states of the European Union that adopt or have adopted the euro as their lawful currency under the Treaty on the Functioning of the European Union;
‘Euroclear’	means Euroclear UK & Ireland Limited;
‘Excluded Shareholders’	means, subject to certain exceptions, Shareholders who have registered addresses in, who are incorporated in, registered in or otherwise resident or located in any Excluded Territory;
‘Excluded Territories’	means Australia, Canada, Japan, Switzerland, New Zealand, the Republic of South Africa and the US and any jurisdiction where the extension or availability of the Capital Raising (and any other transaction contemplated thereby) would breach any applicable laws or regulations, and “Excluded Territory” shall mean any of them;
‘Ex-entitlement Date’	means the date on which the Existing Ordinary Shares are marked ex-entitlement, being 8.00 a.m. on 30 January 2014;
‘Existing Holding’	means a Qualifying Shareholder’s holding of Ordinary Shares at the Record Date;
‘Existing Ordinary Shares’	means the 45,879,174 existing ordinary shares of 20 pence each in the capital of the Company in issue at the date of this document;
‘Family Shareholders’	means certain of the McKay, Chilton and Lloyd family interests, together constituting 14,131,241 Existing Ordinary Shares;
‘FCA’	means the Financial Conduct Authority in the UK;
‘Firm Placing’	means the conditional firm placing by the Bookrunner, as agent of and on behalf of the Company, of the Firm Placed Shares at the Offer Price on the terms and subject to the conditions in the Placing Agreement and the Placing Letter, which Firm Placed Shares will not be subject to clawback under the Open Offer;
‘Firm Placed Shares’	means the 14,131,241 New Ordinary Shares representing the Open Offer Entitlements of the Family Shareholders who have irrevocably undertaken not to take up their Open Offer Entitlements, which are to be issued under the Firm Placing;
‘First Resolution’	means the first resolution to be proposed at the General Meeting as set out in the Notice of General Meeting;
‘Form of Proxy’	means the form of proxy for use at the General Meeting which accompanies this document;
‘FSMA’	means the Financial Services and Markets Act 2000, as amended;

‘General Meeting’	means the general meeting of McKay to be held on at 10.00 a.m. on 14 February 2014, or any adjournment thereof, to consider and, if thought fit, to approve the Resolutions, notice of which is set out at the end of this document;
‘Group’	means McKay and its subsidiaries and subsidiary undertakings from time to time;
‘HMRC’	means HM Revenue & Customs;
‘IFRS’	means the International Financial Reporting Standards as adopted for use by the EU;
‘ISIN’	means International Securities Identification Number;
‘KPMG’	means KPMG Audit plc;
‘Listing Rules’	means the rules and regulations made by the FCA in its capacity as the UK Listing Authority under FSMA and contained in the UK Listing Authority’s publication of the same name;
‘London Stock Exchange’	means the London Stock Exchange plc or its successor(s);
‘LTV’	means the ratio of drawn debt to portfolio value;
‘McKay’ or ‘the Company’	McKay Securities plc, a company incorporated in England and Wales with registered number 421479, whose registered office is at 20 Greyfriars Road, Reading, Berkshire, RG1 1NL;
‘McKay Shareholders’ or ‘Shareholders’	means holders of Ordinary Shares;
‘Money Laundering Regulations’	means the Money Laundering Regulations (2007) S.I. 2012/2157, as amended;
‘NAV’	means net asset value;
‘Notice of General Meeting’	means the notice of General Meeting that is found at the end of this document at page 141;
‘New Ordinary Shares’	means the new Ordinary Shares to be issued by the Company pursuant to the Capital Raising;
‘Offer Price’	means 189 pence per New Ordinary Share;
‘Official List’	means the list maintained by the UK Listing Authority;
‘Open Offer’	means the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Offer Price on the terms and subject to the conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form;
‘Open Offer Entitlements’	means entitlements to subscribe for the Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer;
‘Open Offer Shares’	means the 45,879,174 New Ordinary Shares for which Qualifying Shareholders are being invited to apply, to be issued pursuant to the terms of the Open Offer (and including, for the avoidance of doubt, the Firm Placed Shares);

‘Ordinary Shares’	means the ordinary shares of 20 pence each in the capital of McKay (including, if the context requires, the New Ordinary Shares);
‘Oriel’	means Oriel Securities Limited;
‘Overseas Shareholders’	means Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom;
‘pence’, ‘Pounds’, ‘£’, ‘Pounds Sterling’, or ‘Sterling’	means the lawful currency of the United Kingdom;
‘Placees’	means any person who agrees to subscribe for Firm Placed Shares pursuant to the Firm Placing and/or Placing Shares pursuant to the Placing;
‘Placing’	means the conditional placing by the Bookrunner, as agent and on behalf of the Company of the Placing Shares at the Offer Price, subject to clawback in favour of Open Offer Entitlements taken up by Existing Shareholders under the Open Offer, on the terms and subject to the conditions contained in the Placing Agreement;
‘Placing Agreement’	means the placing agreement dated 29 January 2014 between the Company and the Bookrunner, details of which are set out in section 17.1 (<i>Material Contracts</i>) of Part 12 (<i>Additional Information</i>) of this document;
‘Placing Letters’	means the placing letters sent or to be sent to Placees by Oriel and by which the Firm Placed Shares and/or the Placing Shares have been or are to be offered to Placees at the Offer Price, subject (in the case of the Placing Shares only) to a right of clawback in respect of any New Ordinary Shares that are taken up under the Open Offer, details of which are set out in section 17.2 (<i>Material Contracts</i>) of Part 12 (<i>Additional Information</i>) of this document;
‘Placing Shares’	means the 31,747,933 New Ordinary Shares available to be issued by the Company pursuant to the Placing (being the Open Offer Shares other than the Firm Placed Shares);
‘Property Valuation Report’;	means the property valuation report prepared by Mellersh & Harding LLP set out in Part 8 of this document;
‘Prospectus’ or ‘this document’	means this document, comprising a circular and a prospectus relating to the Company for the purpose of the Capital Raising and Admission;
‘Prospectus Directive’	means the EU directive 2003/71/EC (as amended from time to time, including by Directive 2010/73/EC) to the extent implemented in the relevant EEA State and includes any implementing measure in each EEA State that has implemented directive 2003/71/EC;
‘Prospectus Directive Regulation’	means the Prospectus Directive Regulation (No 2004/809/EC);
‘Prospectus Rules’	means the prospectus rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended;
‘PID’	means a “property income distribution”, being a distribution out of the tax-exempt income profits of the Group as determined under the REIT legislation;

‘PSP’	means the Performance Share Plan approved by the Shareholders on 25 July 2007;
‘Qualifying CREST Shareholders’	means Qualifying Shareholders holding Ordinary Shares in uncertificated form;
‘Qualifying Non-CREST Shareholders’	means Qualifying Shareholders holding Ordinary Shares in certificated form;
‘Qualifying Shareholders’	means holders of Ordinary Shares on the register of members of McKay at the Record Date with the exclusion of Excluded Shareholders;
‘Receiving Agent’	means Equiniti;
‘Record Date’	means 5.00 p.m. on 24 January 2014;
‘Registrar of Companies’	means the Registrar of Companies in England and Wales;
‘Registrar’	means Equiniti;
‘Regulatory Information Service’ or ‘RNS’	means any of the services set out in Schedule 12 to the Listing Rules of the UK Listing Authority;
‘REIT’	means a real estate investment trust subject to the special taxation regime set out in Part 12 of the Corporation Tax Act 2010;
‘Resolutions’	means the First Resolution and the Second Resolution;
‘SDRT’	means stamp duty reserve tax;
‘SEC’	means United States Securities and Exchange Commission;
‘Second Resolution’	means the second resolution to be proposed at the General Meeting as set out in the Notice of General Meeting;
‘Securities Act’	means the United States Securities Act of 1933, as amended;
‘SEDOL’	means the London Stock Exchange Daily Official List;
‘Shareholder’	means a holder of Ordinary Shares;
‘South East’ or ‘South East of England’	means the South East of England (as defined by the Office for National Statistics), excluding London;
‘Sponsor’	means Oriel;
‘stock account’	means an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
‘subsidiary’	has the meaning given in section 1159 of the Companies Act;
‘subsidiary undertaking’	has the meaning given in section 1162 of the Companies Act;
‘Takeover Code’	means the City Code on Takeovers and Mergers of the United Kingdom;
‘Takeover Panel’	means the United Kingdom Panel on Takeovers and Mergers;
‘TSR’ or ‘Total Shareholder Return’	means the growth in value of an Ordinary Share plus dividends reinvested during the year expressed as a percentage of the share price at the start of the year;

‘United Kingdom’ or ‘UK’	means the United Kingdom of Great Britain and Northern Ireland;
‘UK Corporate Governance Code’	means the UK Corporate Governance Code on the Principles of Good Governance and Code of Best Practice published in June 2010 by the Financial Reporting Council in the UK;
‘UK Listing Authority’	means the FCA in its capacity as the competent authority for listing under Part VI of FSMA;
‘uncertificated’ or ‘in uncertificated form’	means a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which by virtue of the CREST Regulations, may be transferred by means of CREST;
‘Uncertificated Securities Regulations’	means the Uncertificated Securities Regulations (2001) S.I. 2001/3755;
‘United States’ or ‘US’	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and
‘Valuation Date’	means 17 January 2014.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

NOTICE OF GENERAL MEETING

MCKAY SECURITIES PLC

(incorporated and registered in England and Wales with registered number 421479)

NOTICE IS HEREBY GIVEN that a General Meeting of McKay Securities plc (the “**Company**”) will be held on 14 February 2014 at 10.00 a.m. at The Royal Thames Yacht Club, 60 Knightsbridge, London, SW1X 7LF for the purpose of considering, and if thought fit, passing the following Resolutions (the ‘**GM**’).

Unless expressly stated otherwise, terms defined in the Prospectus of the Company dated 29 January 2014 shall have the same meaning in this Notice of General Meeting.

RESOLUTION 1: ORDINARY RESOLUTION

THAT subject to and conditional upon the satisfaction of Conditions to the Capital Raising (each as defined in the Prospectus published by the Company dated 29 January 2014) the Directors of the Company be and they are hereby, in addition to all existing authorities in such regard, in accordance with section 551 of the Companies Act 2006, to exercise all the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £9,175,835 (equivalent to 45,879,174 ordinary shares of 20 pence each in the capital of the Company) at a discount of 1.0 per cent. to the Closing Price in connection with the Capital Raising. This authority shall expire at the conclusion of the next annual general meeting of the Company (unless previously revoked or varied by the Company in general meeting), save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

RESOLUTION 2: SPECIAL RESOLUTION

THAT subject to and conditional upon Resolution 1 being duly passed, in addition to all other existing powers of the Directors under section 570 of the Act which shall continue in full force and effect, the Directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by Resolution 1 above, as if section 561 of the Act did not apply to any such allotment. Such power shall, subject to the continuance of the authority conferred by Resolution 1, expire at the conclusion of the next annual general meeting of the Company but may be revoked or varied from time to time by special resolution so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted after such expiry, revocation or variation and the Directors may allot equity securities in pursuance of such offer or agreement as if such power had not expired or been revoked or varied.

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. To appoint more than proxy you may photocopy this form. Please indicate the proxy holder’s name and the number of shares in relation to which they are authorised to act as your proxy (which in aggregate should not exceed the number of shares held by you). Please indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
2. An appointment of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid, a completed appointment of proxy must be returned to the Company by one of the following methods:
 - a. in hard copy form by post, by courier or by hand to the Company’s Registrar, Equiniti at the address shown on the form of proxy or
 - b. as an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically by logging onto the website www.sharevote.co.uk and entering your Voting ID, Task ID and Shareholder Reference Number shown on your form of proxy; or

- c. in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,
- and in each case must be received by Equiniti not less than 48 hours before the time fixed for the meeting or any adjournment(s) thereof (excluding any part of any day that is not a working day). Please note that any electronic communication sent to Equiniti in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted.
3. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
 4. The return of a completed proxy form will not prevent a shareholder attending the general meeting and voting in person if he/she wishes to do so.
 5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual available via www.euroclear.com.
 6. In order for a proxy appointment or instruction made using a CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s (“**EUI**”) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti agent ID RA19 no later than 48 hours before the meeting for receipt of proxy appointment specified in the notice of meeting.
 7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
 8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal systems timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
 9. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act (“**Nominated Persons**”). The right to appoint proxies does not apply to Nominated Persons: they can only be exercised by the member. However, in accordance with section 149(2) of the Companies Act, a Nominated Person may have a right under an agreement with the registered member who has nominated him to be appointed, or to have someone else appointed, as a proxy for this meeting. If a Nominated Person does not have such right, or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated Persons should contact the registered member by whom they were nominated in respect of these arrangements.
 10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
 11. You may not use any electronic address provided either in this notice of general meeting or any related documents (including the form of proxy) to communicate with the company for any purposes other than those expressly stated.
 12. To be entitled to attend and vote at the general meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00 p.m. on 12 February 2014 or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting (excluding any part of any day that is not a working day). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
 13. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:
 - to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

14. A copy of this notice, and other information required by section 311A of the Companies Act, can be found at www.mckaysecurities.plc.uk.
15. As at 28 January 2014 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 45,879,174 Ordinary Shares carrying one vote each and therefore the total number of voting rights in the Company as at 28 January were 45,879,174.

29 January 2014

By order of the Board

