IMPLEMENTATION OF GROWTH STRATEGY
AND ACCELERATION OF PORTFOLIO INITIATIVES

McKay Securities PLC, the only Real Estate Investment Trust (REIT) specialising in South East and London office and industrial markets, today announces its interim results for the six months ended 30th September 2014.

Operational Highlights

- Significant growth in portfolio scale and future potential through the deployment of funds from the £86.7 million Capital Raising in February 2014.
- Five property acquisitions made over the period at a cost of £51.71 million.
- Refurbishment projects accelerated.
- Development programme enhanced with the decision taken to develop speculative office schemes in Lombard Street, EC2, Redhill and Reading.

Portfolio Highlights

- Property valuation surplus of 4.8% (£14.80 million) since 31st March 2014.
- 26.4% increase in portfolio value overall to £321.70 million (31st March 2014: £254.55 million).
- 2.3% increase in portfolio ERV on a like for like basis since 31st March 2014.
- 31.2% increase in portfolio ERV overall to £24.68 million pa (31st March 2014: £18.81 million pa).
- Development programme to add circa £4.75 million pa (net of current contribution) to portfolio ERV.

Financial Highlights

- Adjusted profit before tax up 65% to £2.75 million (30th September 2013: £1.67 million).
- IFRS profit of £13.94 million (30th September 2013: £22.79 million).
- EPRA NAV per share up 5.7% to 240p (31st March 2014: 227p).
- Loan to Value ratio of 29.1% (30th September 2013: 44.5%).

- Interim dividend of 2.7pps declared (30th September 2013: 2.7pps).

Simon Perkins, Managing Director of McKay said,

"Encouraging progress has been made over the period to take full advantage of the Capital Raising in February 2014. Five acquisitions were made, refurbishment projects have been accelerated, and our development programme has been enhanced with the decision to develop speculative prime office schemes in Lombard Street, EC2, Redhill and Reading.

The estimated market rental value (ERV) of our portfolio has increased by 31.2% to £24.68 million pa, and we now have significant reversionary potential in the portfolio to work on. This should increase by circa £4.75 million pa (net) on commencement of our development programme.

Our strategic objective in raising funds was to take advantage of anticipated improvements in our core office and industrial markets of the South East and London. These improvements continue to be seen and will add to the future benefit of recent acquisitions and portfolio initiatives."

Date: 18th November 2014
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MCKAY SECURITIES PLC
INTERIM RESULTS
18TH NOVEMBER 2014

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

Ex-dividend date	27th November 2014
Record date	28th November 2014
Interim dividend payment	8th January 2015

The Directors have declared an interim dividend of 2.7 pence per share, (2013: 2.7 pence per share), which will be paid as a Property Income Distribution (PID).

CHAIRMAN'S STATEMENT

Profit before tax, adjusted to exclude unrealised movements in the value of the Group's property portfolio, interest rate hedging instruments and the net profit on its disposal of properties and other investments, increased by 65.0% to £2.75 million for the six month period to 30th September 2014 (30th September 2013: £1.67 million).

The independent valuation of the Group's property portfolio at 30th September 2014 totalled £321.70 million, incorporating a £14.80 million (4.8%) valuation surplus for the period (30th September 2013: £8.49 million / 3.9%). The overall value of the portfolio, including five new properties and this surplus, increased by £67.15 million (26.4%).

The negative value of the Group's interest rate hedging instruments increased by £4.16 million over the period to £26.72 million (30th September 2013: negative movement of £13.10 million).

Net sale proceeds from two property disposals over the period was £3.22 million, realising a 4.6% (£0.14 million) surplus over book value.

With the inclusion of these unrealised and non-recurring items, profit before tax (IFRS) was £13.94 million (30th September 2013: £22.79 million).

Net asset value over the period increased by £9.25 million (4.9%) to £198.48 million. Net asset value per share (EPRA) increased by 5.7% to 240 pence (31st March 2014: 227 pence).

The Board has declared an interim dividend of 2.7 pence per share (2013: 2.7 pence).

Overview

This has been a period of substantial growth for the Group, during which our focus has been on investing the proceeds of our Capital Raising, which completed in February 2014. This secured £86.71 million of new equity and enabled full use of existing debt facilities. Our strategic objective in raising the funds was to take advantage of anticipated improvements in the office and industrial markets of the South East and London through active property management, refurbishment and development. I am pleased to say that good progress has been made on all fronts.

Since the Capital Raising, seven new properties have been acquired at a cost of £62.50 million. Of these, five were acquired during the period at a cost of £51.71 million.

The Capital Raising has also enabled us to accelerate and complete a number of refurbishment projects, which now contribute to the reversionary potential of the portfolio. This potential will be further enhanced by other significant development and refurbishment projects within the portfolio, where detailed design and planning work has been progressed.

The acquisitions made over the period, combined with 2.3% rental growth across the portfolio, has increased our contracted rental income since 31st March 2014 by 23.6% to £20.25 million pa and the estimated market rental value (ERV) by 31.2% to £24.68 million pa. This ERV is for the whole portfolio, and only includes rental uplifts on development and refurbishment projects once works have commenced.

In summary, the intense activity over the period of integrating new properties into the portfolio, progressing existing and future projects and continuing to actively manage the enlarged portfolio leaves the Group with a larger, more diverse portfolio with greater potential to add value through our well established skills in our core markets.

Market Review

Portfolio initiatives have been underpinned by the positive trends that have been maintained across our markets. Occupier demand has remained stable, and the supply of new and Grade A buildings has continued to reduce. As anticipated at the time of the Capital Raising, this bottleneck in supply and increasing obsolescence is putting upward pressure on rental and capital values across these markets.

The conversion of lower quality office stock to residential use continues to generate occupier demand from displaced tenants and reduce the overall stock available, both of which are beneficial to us. Improved travel times into central London and other future advantages of Crossrail will also become more apparent as its delivery in 2018/2019 draws closer.

Within our South East office markets, which now account for 53% of the Group's portfolio, the supply of new and Grade A floor space has reduced by 11.3% since September 2010 to 6.73 million sq ft (7.8%), with the vacancy rate for new buildings lower still at 2.27 million sq ft (2.6%). The delivery of new buildings has picked up, but not to a level that will alleviate the constrained level of supply, demonstrated by the rental growth that new schemes are generating. Named occupier demand of 3.33 million sq ft remains similar to levels for the last twelve months. Take up for the year is expected to be ahead of the five year average of 1.83 million sq ft, but lower than the 2.49 million sq ft achieved in 2013.

Central and outer London market conditions also remain positive, with existing and anticipated supply struggling to keep up with occupier demand. The resulting rental growth is encouraging not only our London office properties, which account for 29% of the portfolio, but also our office properties outside London which are benefiting from the ripple effect of higher rents. Availability within the City office market is now 8.70 million sq ft, which is 18% below the long term average and the vacancy rate of 7.3% is the lowest since 2007. For new and refurbished stock, availability reduces further to 3.60 million sq ft. With annual take up of new and Grade A floor space in the region of 2.80 million sq ft and only 1.70 million sq ft of speculative floor space under construction, occupier choice is becoming increasingly constrained.

Portfolio Review

Five properties were acquired during the period at the following purchase price:

- The Mille, Brentford (office: 96,950 sq ft): £19.30 million.
- 9 Greyfriars Road, Reading (office: 38,200 sq ft): £5.80 million.
- Gainsborough House, Windsor (office: 18,660 sq ft): £6.85 million.
- Station Plaza, Theale (office: 41,540 sq ft): £8.46 million.
- The Planets, Woking (mixed use: 106,600 sq ft): £8.75 million.

All acquisitions were made in well established centres within our core markets, maintaining our portfolio focus entirely within the office and industrial markets of the South East and London. Their combined ERV of £5.44 million pa averages £18.00 psf, providing scope for growth from a range of active management, refurbishment and redevelopment initiatives in these well regarded centres.

Management initiatives identified for each asset at the time of purchase are now being implemented. A number of early gains have been achieved, such as converting the turnover based rental income from the advertising display on the western elevation of The Mille, Brentford to a fixed income, securing a 43.4% rental uplift to £0.22 million pa.

We have also finalised designs for the comprehensive refurbishment of 9 Greyfriars Road in central Reading, and the planning application will be submitted shortly. Refurbishment is programmed to commence in Spring 2015, and will deliver a significantly improved building to the market in 2016. It will benefit from completion of the major improvements to the station, which will be at the western end of Crossrail, and the proposed strategic redevelopment of Station Hill.

Two property disposals were made during the period, securing net proceeds of £3.22 million. The sale of land at the rear of our office development site on London Road, Redhill was completed at £0.95 million following receipt of planning consent for residential use. At the McKay Trading Estate, Bicester, approximately half of our landholding was compulsorily acquired to enable Bicester Town station, which serves the Bicester Village outlet centre to be enlarged. The station upgrade will create the potential for higher value uses in the retained units. Our historic shareholding in PIH Ltd was also sold during the period. Payment was by way of new shares in the acquiring AIM listed company, securing a surplus of £0.71 million which can be realised on disposal of the shares at the expiry of the lock-in period in summer 2015.

In addition to our acquisition programme, we have continued to adopt a pro-active approach to the management of our properties to take best advantage of improving market conditions. Despite recent gains, ERVs and capital values for those properties held since the peak of the last cycle remain, respectively, 6.9% and 13.0% lower. With the supply constraints referred to above, further market driven rental growth is likely to close this gap, enhanced by rental gains from our own initiatives.

Over the period, fifteen open market lettings were achieved with a combined annual contracted rental value of £0.66 million pa, which was 4.3% ahead of ERV. These were secured across a variety of portfolio properties, with the letting of Pegasus Two, Crawley (12,730 sq ft) at a rental of £0.27 million pa on an unbroken 10 year lease being the largest.

At lease break or expiry, nineteen out of twenty-six tenants were retained. This maintained a high tenant retention rate of 73% and secured rents totalling £0.97 million pa, generally in line with ERVs.

Four refurbishment projects were either underway or planned at the beginning of the period. Works have completed at three of these, being Switchback Office Park, Maidenhead, 329 Bracknell, and 66 Wilson Street, EC3. These properties have a combined vacant ERV of £0.98 million pa and are attracting encouraging levels of occupier interest. The remaining project has also made progress, where planning consent is being finalised for the conversion of Strawberry Hill House, Newbury from office use to a medical centre for two local practices. The pre-let to these practices is expected to become unconditional shortly, allowing conversion works to commence. On completion of the works in 2015, the practices will enter into a 25 year government backed lease at a rental of £0.26 million pa; double the current office ERV.

In addition to these four projects, funds in the region of £35.00 million were identified at the time of Capital Raising for potential office development schemes at London Road, Redhill (47,000 sq ft), and 30/32 Lombard Street, EC2 (58,000 sq ft). Both projects have planning consent in place and detailed design work has been progressed over the period to refine the schemes and to address potential development constraints. Having reviewed the prospects for each scheme, the Board has taken the decision to commence both at the earliest opportunity. To achieve this, further design work, variations to the existing planning consents and other third party approvals will continue to be worked on. Assuming progress continues to be made, we plan to make a start on both these projects by the end of March 2015. On this basis completion of the Redhill scheme will be in 2016 and the Lombard Street scheme in 2018.

The combination of new acquisitions, improving rental values and completed refurbishment projects has increased the reversion in the portfolio by 73.3% to £4.43 million pa. This reversion includes vacant floor space with an ERV of £3.50 million pa, which maintains portfolio occupancy at 85.8% (March 2014: 85.9%). The five largest portfolio voids total 62% of this vacant ERV and include the completed refurbishments at Bracknell and Wilson Street, EC3 referred to above, and vacant space to let at The Mille, Brentford.

The net contribution to portfolio ERV on commencement of projects within the development programme consisting of Redhill, Reading and Newbury should be in the region of £4.75 million pa, enhancing this reversionary potential significantly.

Valuation

The independent valuation of the Group's property portfolio as at 30th September 2014 totalled £321.70 million, generating a 4.8% (£14.80 million) surplus for the period and a substantial 26.4% increase in overall value (31st March 2014: £254.55 million).

The initial yield of the portfolio was 5.5% (March 2014: 5.3%) increasing to 6.0% (March 2014: 6.1%) on the expiry of letting incentives. At ERV, the reversionary yield was 7.3% (March 2014: 7.0%) and the equivalent yield was 6.9% (March 2014: 6.7%).

Acquisitions and the 2.3% increase in the ERV of properties held over the period enhanced the reversionary and equivalent yield. Stamp duty and other purchase costs were an initial drag on performance for the acquisitions, and the portfolio surplus excluding these properties was 5.8%. This was lower than the 6.8% increase in the IPD (Monthly) Index, mainly due to a lower contribution from two of our larger South East office properties whose values had declined less during the downturn due to long leases. The total portfolio return of 7.2% was below IPD (10.0%) due to this difference in valuation gains.

Finance

Net assets increased by £9.25 million to £198.48 million since 31st March 2014, increasing basic net asset value per share by 4.3% to 215 pence. The external valuation of the Group's investment properties resulted in a surplus of £14.80 million which contributed to this increase. This was balanced out to a degree by a negative unrealised movement of £4.6 million in the value of interest rate hedging instruments. EPRA net asset value per share, which excludes the negative value of hedging instruments, increased by 5.7% to 240 pence.

Adjusted profit before tax of £2.75 million was £1.08 million higher then the corresponding period last year. This was primarily the result of the five acquisitions made since 31st March 2014 contributing towards the extra £1.27 million of gross rental income received over the period. The full income benefit of recent acquisitions will be seen in subsequent periods. Non recoverable property costs increased by £0.34 million, mainly due to the portfolio additions. Administration costs increased by £0.47 million, due to the fair value accounting treatment and national insurance costs of grants under the Performance Share Plan and increased costs generally associated with running an enlarged business. The interest cost for the period reduced by £0.49 million from the corresponding period last year as a result of the early termination of the £25.00 million interest rate swap in March 2014.

The Group continues to benefit from four favourable banking facilities totalling £155.00 million, with the earliest expiry (£45.00 million) being in February 2016. Compliance has been maintained with all covenants over the period, allowing the Group to continue to enjoy the low margins and flexible terms.

Drawn debt at 30th September 2014 was £93.50 million (30th September 2013: £100.50 million). The ratio of drawn debt to portfolio value (LTV) was 29.1% (30th September 2013: 44.5%), and the gearing ratio to shareholders' funds, adjusted in accordance with banking covenants, was 42.0% (30th September 2013: 85.0%). These metrics have all improved as a result of the Capital Raising in February 2014. Funds raised were initially used to repay debt, with the facilities then re-drawn as required by acquisitions and capital expenditure. Headroom to existing banking facilities will reduce further as the planned refurbishment and development projects are progressed.

The Group's average cost of debt for the period rose to 6.6% (2013: 5.9%). This temporary increase was a result of debt reducing below the £80 million hedged level following the Capital Raising. As debt increases back over this level, the average cost of debt will reduce as borrowing margins are lower than the hedged rate.

Dividend

The Board is pleased to declare an interim dividend of 2.7 pence per share, which maintains the level of dividend paid for the same period last year. This will be paid as a Property Income Distribution (PID) on 8th January 2015.

Future Prospects

It has been a significant achievement to have substantial funds available from the Capital Raising to invest at the current time when the outlook for our markets is robust. Excellent progress has been made putting these funds to productive use with new acquisitions, the acceleration of refurbishment projects and exciting pipeline schemes.

Although there will undoubtedly be an increase in political, and therefore economic, uncertainty as momentum gathers towards the May 2015 General Election, we do not consider at this stage that it will have any marked effect on fundamentals in our core markets.

We intend to focus all our resources on the variety of property initiatives that we now have within our control, enhanced by further anticipated rental growth across all our markets, to secure future income and capital gains at the earliest opportunity.

D.O. Thomas
Chairman
18th November 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 months to 30th September 2014 (Unaudited) £'000	6 months to 30th September 2013 (Unaudited) £'000	12 months to 31st March 2014 (Audited) £'000
Gross rents and service charges receivable		10,470	8,160	16,897
Direct property outgoings		(3,243)	(1,861)	(4,110)
Net rental income from investment properties	3	7,227	6,299	12,787
Administration costs		(2,111)	(1,640)	(3,946)
Operating profit before gains on investment properties		5,116	4,659	8,841
Profit/(loss) on disposal of investment properties		142	(124)	(124)
Revaluation of investment properties	6	14,498	8,155	22,917
Operating profit		19,756	12,690	31,634
Finance costs	5	(6,541)	10,099	6,651
Finance income	5	10	4	5
Profit on disposal of associated undertaking		712	-	-
Profit before taxation		13,937	22,793	38,290
Taxation		-	-	-
Profit for the period		13,937	22,793	38,290
Other comprehensive income:				
Actuarial movement on defined benefit pension Scheme		-	-	372
Total comprehensive income for the period		13,937	22,793	38,662
Earnings per share	4			
Basic		15.13p	49.68p	75.03p
Diluted		14.88p	48.52p	72.95p

Adjusted earnings per share figures are shown in note 4.

GROUP BALANCE SHEET

	Notes	As at 30th September 2014 (Unaudited) £'000	As at 30th September 2013 (Unaudited) £'000)	As at 31st March 2014 (Audited) £'000
Non-current assets				
Investment properties	6	319,467	224,345	252,645
Plant and equipment		74	20	13
Investments		712	-	-
		320,253	224,365	252,658
Current assets				
Trade and other receivables		9,480	6,342	6,952
Cash and cash equivalents		7,121	3,827	2,100
Total assets		336,854	234,534	261,710
Current liabilities				
Trade and other payables		(12,344)	(8,030)	(6,555)
Finance lease liabilities		(286)	(286)	(286)
Interest rate derivatives	7	(3,633)	(4,262)	(3,510)
Total current liabilities		(16,263)	(12,578)	(10,351)
Non-current liabilities				
Loans and other borrowings		(93,316)	(100,234)	(37,266)
Pension fund liabilities		(1,588)	(2,178)	(1,690)
Finance lease liabilities		(4,121)	(4,121)	(4,121)
Interest rate derivatives	7	(23,085)	(23,226)	(19,047)
Total non-current liabilities		(122,110)	(129,759)	(62,124)
Total liabilities		(138,373)	(142,337)	(72,475)
Net assets		198,481	92,197	189,235
Equity				
Called up share capital		18,485	9,176	18,352
Share premium account		75,917	2,478	75,541
Distributable reserve		52,060	57,477	57,988
Revaluation reserve		52,019	23,066	37,354
Total equity		198,481	92,197	189,235
Net asset value per share	9	215p	201p	206p

GROUP CASH FLOW STATEMENT
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	6 months to 30th September 2014 (Unaudited) £'000	6 months to 30th September 2013 (Unaudited) £'000	12 months to 31st March 2014 (Audited) £'000
Operating activities			
Profit before tax	13,937	22,793	38,290
Adjustments for:			
Depreciation	16	7	15
Other non-cash movements	430	344	731
(Profit)/loss on disposal of investment properties	(142)	124	124
Movement in revaluation of investment properties	(14,498)	(8,155)	(22,917)
Net finance costs	6,531	(10,103)	(6,656)
Profit on disposal of associate undertaking	(712)	-	-
Cash flow from operations before changes in working capital	5,562	5,010	9,587
Increase in debtors	(1,779)	(545)	(1,001)
Decrease in creditors	3,763	(230)	(795)
Cash generated from operations	7,546	4,235	7,791
Interest paid	(1,378)	(1,945)	(11,596)
Interest received	10	4	5
Cash flows from operating activities	6,178	2,294	(3,800)
Investing activities			
Proceeds from sale of investment properties	3,217	1,158	1,116
Purchase and development of investment properties	(55,395)	(5,832)	(19,406)
Purchase of other fixed assets	(74)	(3)	(7)
Cash flows from investing activities	(52,252)	(4,677)	(18,297)
Financing activities			
Proceeds from issue of share capital	509	-	86,712
Costs associated with issue of share capital	-	-	(4,473)
Increase/(decrease) in borrowings	56,000	5,978	(57,035)
Equity dividends paid	(5,414)	(2,661)	(3,900)
Cash flows from financing activities	51,095	3,317	21,304
Net increase/(decrease) in cash and cash equivalents	5,021	934	(793)
Cash and cash equivalents at the beginning of the period	2,100	2,893	2,893
Cash and cash equivalents at end of period	7,121	3,827	2,100

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent company				
	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Total distributable reserve £'000	Total equity £'000
At 31st March 2013	9,176	2,478	14,314	45,965	71,933
Profit for the year	-	-	-	38,290	38,290
Other comprehensive income:					
Transfer surplus on revaluation of properties	-	-	22,917	(22,917)	-
Transfer share of surplus on revaluation of properties in associated undertaking	-	-	204	(204)	-
Transfer on disposal of investment properties	-	-	(81)	81	-
Actuarial gain on defined benefit pension scheme	-	-	-	372	372
Total comprehensive profit for the year	-	-	23,040	15,622	38,662
Share issue on capital raising	9,176	77,536	-	-	86,712
Costs associated with share issue	-	(4,473)	-	-	(4,473)
Dividends paid in year	-	-	-	(3,900)	(3,900)
Fair value of share based payments	-	-	-	301	301
At 31st March 2014	18,352	75,541	37,354	57,988	189,235
Profit for the period	-	-	-	13,937	13,937
Other comprehensive income:					
Transfer surplus on revaluation of properties	-	-	14,498	(14,498)	-
Transfer on disposal of investment in associated undertaking			1,419	(1,419)	-
Transfer on disposal of investment Properties	-	-	(1,252)	1,252	-
Issue of new shares net of costs	133	376	-	-	509
Dividends paid in period	-	-	-	(5,414)	(5,414)
Fair value of share based payments	-	-	-	214	214
At 30th September 2014	18,485	75,917	52,019	52,060	198,481

1 Accounting policies

Basis of preparation
This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31st March 2014.

The comparative figures for the financial year ended 31st March 2014 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

In the current financial year the Group has adopted the amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" and IFRS 13 "Fair Value Measurement". Otherwise the same accounting policies, estimates, presentation and methods of computation are followed in the half year report as applied in the Group's latest annual audited financial statements.

The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will never be reclassified, as well as their associated income tax. The amendments have been applied retrospectively and hence the presentation of items of comprehensive income have been re-grouped accordingly.

IFRS 13 impacts the disclosure and measurement of financial instruments held at fair value, as set out in note 7.

The Board approved the unaudited interim financial statements on 18th November 2014.

Identification of business risks
The Group's principal risks and uncertainties are consistent with those noted in the Annual Report for the year ended 31st March 2014 being compliance with financial covenants on bank borrowing, tenant default, liquidity, interest rate hedging instruments and interest rate movements on bank borrowing. The Directors consider that the significant areas of judgement made by management that have significant effect on the Group's performance and estimates with a significant risk of material adjustment in the second half of the year are unchanged from those identified in the Annual Report for the year ended 31st March 2014.

Going concern
The Interim Report has been prepared on a going concern basis, which assumes the Group will be able to meet its liabilities as they fall due, for the foreseeable future. The Directors have prepared cash flow forecasts which show that the cash generated from operating activities will provide sufficient cash headroom for the foreseeable future.

The Group does not have any significant borrowing facilities expiring in the next 12 months. The Group is in full compliance with its borrowing covenants at 30th September 2014.

2 Adjusted profit before tax

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

	6 months to 30th September 2014 (Unaudited) £'000	6 months to 30th September 2013 (Unaudited) £'000	12 months to 31st March 2014 (Audited) £'000
Profit before tax	13,937	22,793	38,290
Change in fair value of derivatives	4,160	(13,098)	(18,029)
Movement in revaluation of investment properties	(14,498)	(8,155)	(22,917)
(Profit)/loss on disposal of investment properties	(142)	124	124
Derivative contract cancellation costs	-	-	5,690
Change in fair value of investments	(712)	2	-
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Adjusted profit before tax	2,745	1,666	3,158
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3 Net rental income from investment properties

	6 months to 30th September 2014 (Unaudited) £'000	6 months to 30th September 2013 (Unaudited) £'000	12 months to 31st March 2014 (Audited) £'000
Gross rents receivable	8,114	6,816	14,003
SIC15 adjustment (spreading of rental incentives)	303	333	680
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Gross rental income	8,417	7,149	14,683
Service charges receivable	2,053	1,011	2,214
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	10,470	8,160	16,897
Direct property outgoings	(3,243)	(1,861)	(4,110)
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	7,227	6,299	12,787
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Rent receivable under the terms of the leases is adjusted, in accordance with SIC15, for the effect of any incentives given.

4 Earnings per share

	6 months to 30th September 2014 p	6 months to 30th September 2013 p	12 months to 31st March 2014 p
Basic earnings per share	15.13	49.68	75.03
Change in fair value of derivatives	4.52	(28.55)	(24.18)
Movement in revaluation of investment properties	(15.75)	(17.77)	(44.90)
Profit on disposal of investment properties	(0.15)	0.27	0.24
Change in fair value of investments	(0.77)	-	-
Adjusted earnings per share	2.98	3.63	6.19

Basic earnings per share on ordinary shares is calculated on the profit in the half year of £13,937,000 (2013: £22,793,000) and 92,085,186 (2013: 45,879,174) shares, being the weighted average number of ordinary shares in issue during the period.

	6 months to 30th September 2014 Number of shares	6 months to 30th September 2013 Number of shares
Weighted average number of ordinary shares in issue	92,085,186	45,879,174
Number of shares under option	2,341,454	2,647,436
Number of shares that would have been issued at fair value	(763,020)	(1,553,852)
Diluted weighted average number of ordinary shares in issue	93,663,620	46,972,758

	6 months to 30th September 2014 p	6 months to 30th September 2013 p	12 months to 31st March 2014 p
Basic earnings per share	15.13	49.68	75.03
Effect of dilutive potential ordinary shares under option	(0.26)	(1.16)	(2.08)
Change in fair value of derivatives	4.44	(27.89)	(23.51)
Movement in revaluation of investment properties	(15.48)	(17.36)	(43.66)
Loss on disposal of investment properties	(0.15)	0.27	0.24
Change in fair value of investments	(0.75)	-	-
Adjusted diluted earnings per share	2.93	3.54	6.02
EPRA earnings per share	2.93	3.54	6.02

Diluted earnings per share is calculated on the same profit after tax and on the weighted average diluted number of shares in issue during the year of 93,663,620 (2013: 46,972,758) shares, which takes into account the number of potential ordinary shares under option.

Adjusted earnings per share excludes the after tax effect of profit from the disposal of investment properties the change in the fair value of derivatives and the movement in revaluation of investment properties.

5 Net Finance costs

	6 months to 30th September 2014 (Unaudited) £'000	6 months to 30th September 2013 (Unaudited) £'000	12 months to 31st March 2014 (Audited) £'000
Interest on bank overdraft and loans	2,427	2,870	5,508
Derivative contract cancellation costs	-	-	5,690
Finance lease interest on leasehold property obligations	98	142	285
Finance arrangement costs	50	47	92
Fair value gain on derivatives	4,160	(13,098)	(18,029)
Capitalised interest	(194)	(60)	(197)
	6,541	(10,099)	(6,651)
Interest receivable	(10)	(4)	(5)
	6,531	(10,103)	(6,656)

6 Investment Properties

	As at 30th September 2014 (Unaudited) £'000	As at 30th September 2013 (Unaudited) £'000	As at 31st March 2014 (Audited) £'000
Valuation			
At 1st April 2014	254,550	211,768	211,768
Additions - acquisition	51,710	5,520	16,340
- development	3,710	205	2,900
Revaluation surplus	12,896	8,488	23,615
Adjustment for rents recognised in advance under SIC15	(304)	(333)	(698)
Disposals	(3,075)	(1,283)	(1,240)
Amortisation of grossed up headlease liabilities	(20)	(20)	(40)
Book value	319,467	224,345	252,645
Adjustment for grossing up of headlease liabilities	(3,805)	(3,845)	(3,825)
Adjustment for rents recognised in advance under SIC15	6,033	5,365	5,730
Valuation	321,695	225,865	254,550

In accordance with the Group's accounting policy on properties there was an external valuation at 30th September 2014. These valuations, were carried out by Mellersh & Harding, Chartered Surveyors and Valuers. All valuations were carried out in accordance with the Appraisal and Valuation Standards of RICS, on an open market basis.

7 Liabilities

The Group adopts a policy of ensuring that its exposure to interest rate fluctuations is mitigated by the use of financial instruments. Interest rate swaps have been entered into to achieve this purpose.

The Group does not hold or issue derivative financial instruments for trading purposes.

As at 30th September 2014 (Unaudited)	Amount £'000	Maturity	[2]Next credit break	[3]Next call option
Interest rate swaps	75,000	Sept 2032	Sept 2022	
Interest rate swaps	5,000	Dec 2032	[5]Dec 2017	Dec 2019
	80,000			

	Amount £'000	Rate	Fair value before BCVA	[4]BCVA	Fair value £'000
Interest rate swaps	75,000	5.17%	(27,771)	2,531	(25,240)
Interest rate swaps	5,000	4.65%	(1,558)	80	(1,478)
	80,000		(29,329)	2,611	(26,718)

As at 30th September 2013 (Unaudited)	Amount £'000	Maturity	[2]Next credit break	[3]Next call option
Interest rate swaps	75,000	Sept 2032	Sept 2022	Sept 2014
Interest rate swaps	[1]25,000	Oct 2038	Jan 2016	Jan 2016
Interest rate swaps	5,000	Dec 2032	[5]Dec 2017	Dec 2019
	105,000			

	Amount £'000	Rate	Fair value before BCVA	[4]BCVA	Fair value £'000
Interest rate swaps	75,000	4.80%	(23,521)	2,710	(20,811)
Interest rate swaps	[1]25,000	4.31%	(5,686)	267	(5,419)
Interest rate swaps	5,000	4.65%	(1,364)	106	(1,258)
	105,000		(30,571)	3,083	(27,488)

As at 31st March 2014 (Audited)	Amount £'000	Rate	Fair value before BCVA	[4]BCVA	Fair value £'000
Interest rate swaps	75,000	5.17%	(23,217)	1,904	(21,313)
Interest rate swaps	5,000	4.65%	(1,316)	72	(1,244)
	80,000		(24,533)	1,976	(22,557)

[1]The £25 million interest rate swap was terminated on 26th March 2014 at a cost of £5.7 million.
[2]Credit breaks are triggered by the bank and require the prevailing mark to market value to be paid or received.
[3]Call options are triggered by the bank and require no payment by either party.
[4]BCVA – Bilateral Credit Valuation Adjustment is now required by IFRS 13 to be incorporated in the mark to market valuations. This is applicable to Group Financial Statements from 30th September 2013.
[5]The counter party bank has given notice this break will be exercised.

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

	As at 30th September 2014 (Unaudited) £'000	As at 30th September 2013 (Unaudited) £'000	As at 31st March 2014 (Audited) £'000
Current	(3,633)	(4,262)	(3,510)
Non-current	(23,085)	(23,226)	(19,047)
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	(26,718)	(27,488)	(22,557)
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The Group does not hedge account its interest rate derivatives and states them at fair value in the balance sheet based on quotations from the Group's banks, any movement passing through the Statement of Comprehensive Income. All financial liabilities are classed as level 2 in accordance with the fair value hierarchy stated in IFRS 13. The fair value of these level 2 contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

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

In both 2014 and 2013 there was no difference between the book value and the fair value of all the other financial assets and liabilities of the Group and Company.

8 Dividends

	6 months to 30th September 2014 (Unaudited) £'000	6 months to 30th September 2013 (Unaudited) £'000	12 months to 31st March 2014 (Audited) £'000
Final dividend			
Year ended 31st March 2014	5,414	-	-
Year ended 31st March 2013	-	2,661	2,661
Interim dividend			
Year ended 31st March 2013	-	-	1,239
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	5,414	2,661	3,900
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The final dividend of 5.9 pence per share (£5,414,000) for the year ended 31st March 2014 was paid on 31st July 2014.

The Directors have declared an interim dividend of 2.7 pence per share (2013: 2.7 pence per share).

Since becoming a REIT, the Group is required to distribute at least 90% of qualifying income profits each year as a Property Income Distribution (PID), and the interim dividend of 2.7 pence per share will be paid as part of this distribution. Further REIT information is available on the Company's website.

9 Net asset value per share

	30th September 2014		
	Net assets £'000	Shares '000	Net asset value per share p
Basic	198,481	92,426	215
Shares under option	1,458	2,125	(3)
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Diluted/EPRA NNNAV	199,939	94,551	212
Adjustment for fair value of derivatives	26,718	-	28
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EPRA NAV	226,657	94,551	240

	30th September 2013		
	Net assets £'000	Shares '000	Net asset value per share p
Basic	92,197	45,879	201
Number of shares under option	2,118	2,771	(7)
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Diluted/EPRA NNNAV	94,315	48,650	194
Adjustment for fair value of derivatives	27,488	-	56
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EPRA NAV before adjustment	121,803	48,650	250
Adjustment to exclude interest rate derivatives	(6,677)	-	(13)
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EPRA NAV	115,126	48,650	237

	31st March 2014		
	Net assets £'000	Shares '000	Net asset value per share p
Basic	189,235	91,758	206
Number of shares under option	1,986	2,477	(3)
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Diluted/EPRA NNNAV	191,221	94,235	203
Adjustment for fair value of derivatives	22,557	-	24
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EPRA NAV	213,778	94,235	227

10 Disclaimer

The Interim Report of McKay Securities PLC for the six months to 30th September 2014 has been drawn up and presented for the purposes of complying with English law. If any issue were to arise in relation to any liability under or in connection with the Interim Report for the six months to 30th September 2014, it would also be determined in accordance with English law.

11 Interim Report

The Interim Report is being posted to all shareholders on 28th November 2014. Copies are available to members of the public from the Company's registered office at 20 Greyfriars Road, Reading, Berkshire RG1 1NL, and on the Company's website at www.mckaysecurities.plc.uk.

Statement of the Directors Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

S C Perkins
Managing Director

G P Salmon
Finance Director

18th November 2014