



# **McKay Securities PLC**

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Interim Report 2001



# McKay Securities PLC

McKay Securities is a property development and investment company which develops and refurbishes buildings of quality for its own portfolio, which it retains for long term investment. These include office, warehouse and industrial schemes which are concentrated mainly in the high growth areas of the West End and City of London, M25 and South East of England and other prime locations.

The company, which has a portfolio value of over £200 million, does not trade or deal in its properties and therefore there is a hardcore rental stream underpinning profits growth which is further secured from time to time by the sale of investment properties. This policy has rewarded shareholders with above average growth in capital value, earnings and dividend distributions over many years.

## Chairman's Statement

### Results for the six months ending 30th September 2001

Pretax profit for the half year was £2,426,000 compared with £3,538,000 for the same period in 2000. Contributing to this was profit from the sale of investment properties of £427,000, compared with £699,000 in 2000.

At operational level, excluding property sales and after charging interest, profit was £1,998,000 compared with £2,840,000 last year. Net income from investment properties increased to £4,854,000 from £4,597,000.

### Review

Gross rental income from the Group's portfolio increased to £5,703,000 (2000 - £5,015,000) during the period, assisted by the letting of 23 Buckingham Gate and a full contribution from recently acquired investments including Castle Lane SW1, 30/32 Lombard Street EC3 and Portsoken House EC3.

As mentioned in my previous statement, the delay in letting Great Brighams Mead, Reading (7,740 sqm offices) and Bartley House, Hook (2,050 sqm offices) has had an adverse impact on the interim figures as a result of having to carry the overhead and interest charges on these properties without the benefit of rental income. However, I am very pleased to report that since the half-year end Great Brighams

Mead has been let to Hutchison 3G UK, a subsidiary of Hutchison Whampoa, on a 21 year lease at an initial rental of £2,280,000 with 9 months rent free spread over the first two years of the term. Rent became payable from 22nd October. The addition of income from this excellent investment will contribute strongly to future results, and proves that well specified buildings will attract substantial tenants even in uncertain times.

The marketing team for Bartley House has been strengthened with the addition of a London firm as joint letting agent, but despite continuing interest in the building a letting remains elusive; however, we remain confident that the quality and location of the building will attract a tenant before long. Other properties now being marketed include Albion House, Newbury and Coombe Square, Thatcham, where comprehensive refurbishments have just been completed and Unit 1 at Bicester, where refurbishment is due for completion early next year. Together with Bartley House these properties will contribute additional rental income of approximately £775,000 per annum when let.

At Crawley, where we acquired a 2.4 acre site for development in January 2001, construction is well advanced with completion scheduled for mid 2002. This scheme, known as Pegasus Place, consists of three well specified office buildings totalling 4,719 sqm.

Sales of investment properties for the period include the refurbished 23/24 Lovat Lane EC3, (616 sqm offices) at a figure of £3,050,000 and two further shops at Yateley. We have also benefited from the final overage payment from the housing land adjacent to Great Brighams Mead sold in 1998. Sales pending include 23 Buckingham Gate SW1, the freehold of Parkside SW1, and 28 Broad Street, Bristol, which have been successfully marketed and are now in solicitors' hands.

In July we acquired the freehold interest of 5 Old Queen Street and 6 Storeys Gate SW1 at a figure of £6.3 million. These adjoining multi-let buildings, in a central position close to St. James's Park, total 1,539 sqm of office space and offer the potential either to be redeveloped as one or to be refurbished on a floor by floor basis.

## Financial Position

Net debt at 30th September 2001 was £67 million compared with £60 million at 31st March 2001 representing 51% of shareholders' funds.

## Dividends

The Directors have declared an interim dividend of 2.7p (2000 - 2.5 p) payable on 17th January 2002 to shareholders on the register at the close of business on 21st December 2001.

## Future Prospects

The letting of Great Brighams Mead has been a great achievement in what has become a difficult market and will add significant value to the Group's results as the income comes on stream. This will enable us to move forward with the development programme including Old Queen Street / Storeys Gate and Wimbledon, where we have a planning consent for 4,700 sqm of offices at Worples Road in the town centre. The tragic events of September have further eroded confidence in what was already a fragile economic situation, the overall effects of which are still to be seen. However, the Group is in a strong financial condition, well placed to weather any downturn and to take advantage of investment opportunities that arise.



**I. A. McKay** Chairman  
13th December 2001

## Interim Statement

### Six months to 30th September 2001

	6 months to 30th September 2001 (Unaudited) £'000	6 months to 30th September 2000 (Unaudited) £'000	12 months to 31st March 2001 (Audited) £'000
Gross rent receivable	5,703	5,015	10,473
Service charges receivable	1,559	1,171	2,336
<b>Total revenues</b>	<b>7,262</b>	<b>6,186</b>	<b>12,809</b>
Direct property outgoings	(2,408)	(1,589)	(3,558)
<b>Income from investment properties</b>	<b>4,854</b>	<b>4,597</b>	<b>9,251</b>
Administration costs	(1,024)	(917)	(1,848)
Share of operating profit of associated undertakings	90	100	200
<b>Operating profit</b>	<b>3,920</b>	<b>3,780</b>	<b>7,603</b>
Profit on disposal of properties	427	699	2,736
<b>Profit on ordinary activities before interest and taxation</b>	<b>4,347</b>	<b>4,479</b>	<b>10,339</b>
Net interest payable	(1,921)	(941)	(2,412)
<b>Profit on ordinary activities before taxation</b>	<b>2,426</b>	<b>3,538</b>	<b>7,927</b>
Taxation	(549)	(876)	(1,636)
<b>Profit on ordinary activities after taxation</b>	<b>1,877</b>	<b>2,662</b>	<b>6,291</b>
Dividends	(1,048)	(965)	(2,903)
<b>Retained profit for the period</b>	<b>829</b>	<b>1,697</b>	<b>3,388</b>
Transfer to capital reserve	(119)	(168)	(1,699)
<b>Retained profit for the period transferred to Profit and Loss Account Reserve</b>	<b>710</b>	<b>1,529</b>	<b>1,689</b>
<b>Dividend per share</b>	<b>2.7p</b>	<b>2.5p</b>	<b>7.5p</b>
<b>Earnings per share</b>			
Basic	4.84p	6.89p	16.28p
Diluted	4.18p	6.02p	14.09p
<b>Adjusted (operating) earnings per share</b>			
Basic	4.32p	6.46p	11.88p
Diluted	3.73p	5.64p	10.29p

## Consolidated Balance Sheet

As at 30th September 2001

	As at 30th September 2001 (Unaudited) £'000	As at 30th September 2000 (Unaudited) £'000	As at 31st March 2001 (Audited) £'000
<b>Fixed assets</b>			
Tangible assets - properties and other fixed assets	200,361	169,428	195,764
Investments	<u>1,985</u>	<u>1,938</u>	<u>1,953</u>
	<u>202,346</u>	<u>171,366</u>	<u>197,717</u>
<b>Current assets</b>			
Debtors	1,263	836	1,084
Cash	<u>263</u>	<u>1,548</u>	<u>680</u>
	1,526	2,384	1,764
<b>Creditors</b>			
Amount falling due within one year	<u>(9,748)</u>	<u>(9,855)</u>	<u>(11,692)</u>
<b>Net current liabilities</b>	<u>(8,222)</u>	<u>(7,471)</u>	<u>(9,928)</u>
<b>Total assets less current liabilities</b>	194,124	163,895	187,789
<b>Creditors</b>			
Amounts falling due after one year	<u>(63,810)</u>	<u>(53,630)</u>	<u>(57,970)</u>
<b>Provision for liabilities and charges</b>			
Deferred taxation	<u>(125)</u>	<u>(500)</u>	<u>(250)</u>
	<u>130,189</u>	<u>109,765</u>	<u>129,569</u>
<b>Capital and reserves</b>			
Called up share capital	8,998	8,919	8,946
Share premium account	1,861	1,825	1,913
Revaluation reserve	56,375	41,626	58,428
Other capital reserves	38,085	33,394	36,122
Profit and loss account	<u>24,870</u>	<u>24,001</u>	<u>24,160</u>
<b>Shareholders' funds</b>	<u>130,189</u>	<u>109,765</u>	<u>129,569</u>
<b>Net asset value per share</b>	289p	246p	290p

## Group Cash Flow Statement

### Six months to 30th September 2001

	6 months to 30th September 2001		6 months to 30th September 2000		Year to 31st March 2001	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>		<b>2,236</b>		<b>6,527</b>		<b>11,089</b>
<b>Dividends received from associated undertakings</b>		<b>40</b>		<b>—</b>		<b>59</b>
<b>Returns on investments and servicing of finance</b>						
Interest received	17		62		99	
Interest paid	(2,039)		(2,195)		(4,306)	
Dividends received	1		1		1	
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(2,021)</b>		<b>(2,132)</b>		<b>(4,206)</b>
<b>Taxation</b>						
Corporation tax refund	233		—		52	
Corporation tax paid	(1,090)		(979)		(2,719)	
Corporation tax		<b>(857)</b>		<b>(979)</b>		<b>(2,667)</b>
<b>Capital expenditure</b>						
Purchase and development of investment properties	(8,878)		(17,798)		(27,165)	
Purchase of other fixed assets	(15)		(17)		(49)	
Sales of investment properties	4,786		5,478		9,722	
<b>Net cash outflow for capital expenditure</b>		<b>(4,107)</b>		<b>(12,337)</b>		<b>(17,492)</b>
<b>Acquisitions and disposals</b>						
Purchase of minority interest (expenses)		—		—		(20)
<b>Equity dividends paid</b>		<b>(1,938)</b>		<b>(1,738)</b>		<b>(2,703)</b>
<b>Cash outflow before financing</b>		<b>(6,647)</b>		<b>(10,659)</b>		<b>(15,940)</b>
<b>Financing</b>						
Issue of ordinary share capital	—		—		115	
Increase in debt	5,840		10,370		14,710	
		<b>5,840</b>		<b>10,370</b>		<b>14,825</b>
<b>Decrease in cash</b>		<b>(807)</b>		<b>(289)</b>		<b>(1,115)</b>



## Group Cash Flow Statement

For the six months ended 30th September 2001

	Movement in period			At 31st March 2001 £'000
	At 30th September 2001 £'000	Cash £'000	Non-cash £'000	
Cash at bank	263	(417)	—	680
Overdraft	(390)	(390)	—	—
	(127)	(807)	—	680
Debt due within one year	(480)	—	(98)	(382)
Debt due after one year	(63,810)	(5,840)	—	(57,970)
	<u>(64,417)</u>	<u>(6,647)</u>	<u>(98)</u>	<u>(57,672)</u>

	Movement in period			At 31st March 2000 £'000
	At 30th September 2000 £'000	Cash £'000	Non-cash £'000	
Cash at bank	1,548	(289)	47	1,790
Debt due within one year	(3,500)	(30)	(3,118)	(352)
Debt due after one year	(53,630)	(10,340)	—	(43,290)
	<u>(55,582)</u>	<u>(10,659)</u>	<u>(3,071)</u>	<u>(41,852)</u>

## Notes to the Interim Statement

For the six months ended 30th September 2001

1. The Group's properties were not revalued at 30th September 2001. The Consolidated Balance Sheet reflects the values as at 31st March 2001 adjusted for additions and disposals during the period.
2. The results for the year to 31st March 2001 have been extracted from the full accounts for the year which received an unqualified auditor's report and which have been lodged with the Registrar of Companies.
3. The Interim Statement is being posted to all shareholders today. Copies are available to members of the public from the Company's registered office at 20 Greyfriars Road, Reading, Berkshire RG1 1NL.

## Other Primary Statements

Six months to 30th September 2001

### Consolidated Statement of Total Recognised Gains and Losses

	30th September 2001 £'000	30th September 2000 £'000	31st March 2001 £'000
Profit for the period	1,877	2,662	6,291
Unrealised surplus on revaluation of properties	—	—	18,429
Taxation on previously recognised gains	(206)	(233)	(338)
Exchange movements	(3)	52	46
Total recognised gains for the period	<u>1,668</u>	<u>2,481</u>	<u>24,428</u>

### Consolidated Historical Cost Profits and Losses

	30th September 2001 £'000	30th September 2000 £'000	31st March 2001 £'000
Reported profit before taxation	2,426	3,538	7,927
Realisation of property revaluation surpluses of previous years	2,052	593	2,220
Historical cost profit before taxation	<u>4,478</u>	<u>4,131</u>	<u>10,147</u>
Historical cost profit for period retained after taxation and dividends	<u>2,881</u>	<u>2,290</u>	<u>5,608</u>

### Consolidated Reconciliation of Movements in Shareholders' Funds

	30th September 2001 £'000	30th September 2000 £'000	31st March 2001 £'000
Profit for the period	1,877	2,662	6,291
Dividends	(1,048)	(965)	(2,903)
Retained profit for the period	829	1,697	3,388
Unrealised surplus on revaluation of properties	—	—	18,429
Exchange movements	(3)	52	46
Taxation on previously recognised gains	(206)	(233)	(338)
Goodwill written off	—	—	(320)
Premium arising on issue of shares under share option scheme	—	—	88
Nominal value of issue of shares under share option scheme	—	—	27
Net addition to shareholders' funds	620	1,516	21,320
Opening shareholders' funds	129,569	108,249	108,249
Closing shareholders' funds	<u>130,189</u>	<u>109,765</u>	<u>129,569</u>

**McKay Securities PLC**

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