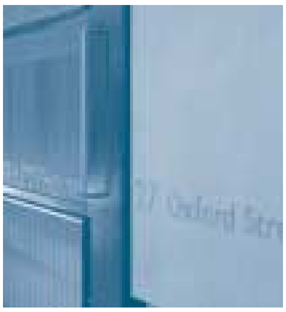
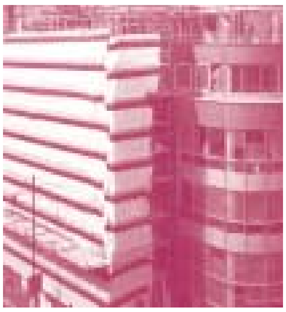
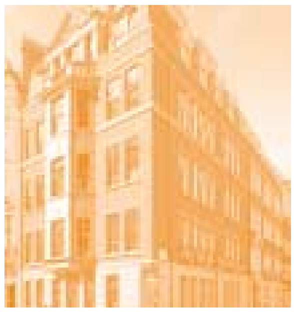
McKay Securities PLC

Interim Report

2005







McKay Securities PLC is a commercial property investment company specialising in the development and refurbishment of quality buildings within established and emerging growth areas of central London and the South East of England. Completed projects are retained and managed for long term growth within the Group's portfolio, valued in excess of £260 million.

Properties are not traded, 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.

Financial Highlights

- Investment property income up 11% to £7,267,000 (2004 – £6,571,000)
- Adjusted profit before tax up 13% to £3,867,000 (2004 – £3,417,000). Profit before tax of £3,020,000 (2004 – £3,825,000) – note 5
- Adjusted net asset value per share up 11% to 330p (2004 – 297p) – note 9
- Interim dividend up 6% to 3.4 pence per share (2004 – 3.2 pence per share)
- Diluted adjusted earnings per share up 7% to 6.03p (2004 – 5.66p) – note 7
- Weighted average cost of borrowing of 6% (2004 – 5.9%)
- Net debt gearing of 80% (2004 – 60%)

Chairman's Statement

Results for the six months to 30th September 2005

These are the first results to be presented to shareholders in accordance with the requirements of International Financial Reporting Standards (IFRS). There are significant changes, now obligatory for all listed companies, which are explained in note 11 to the accounts, which also includes reconciliations to past results reported under the previous accounting standards (UK GAAP).

Under IFRS, shareholders are likely to see greater volatility in reported profits as movements in the annual revaluation of the Group's investment portfolio and interest rate hedging instruments are now included in the income statement, formerly known as the profit and loss account. In order to provide a clearer picture of recurring profits from the core activities of the Group, our preferred measure is profit before tax adjusted to exclude both the two items mentioned above and any surplus on the sale of investment properties. The resultant figure for the six months to 30th September 2005 shows an encouraging start to the year, with a 13% increase to £3,867,000, compared with £3,417,000 for the comparable period last year.

Declared pre-tax profit for the half year under IFRS amounted to £3,020,000 compared with £3,825,000 last year. The reduced figure results from a charge of £851,000 (2004 - £nil) representing the change in the fair value of interest rate hedging instruments, and a charge of £228,000 (2004 - £128,000) in respect of lease incentives and letting cost adjustments which is shown as a reduction in the book value of investment properties. Profit from the sale of investment properties included within pre-tax profit was £221,000 (2004 - £578,000).

The Directors have declared an interim dividend of 3.4p (2004 - 3.2p), an increase of 6.3%, payable on 12th January 2006 to shareholders on the register at the close of business on 23rd December 2005.

Review

The Group's net income from investment properties increased by £696,000 to £7.27m compared with the same period last year. This improvement arises from a combination of new lettings, rent reviews, acquisitions and a reduction in non-recoverable property expenditure following the completion of upgrading works on a number of portfolio properties.

Contributing to the increase were new lettings achieved at Castle Lane, SW1; Portsoken House, EC3; 3 and 5 Acre Estates, Folkestone; Oakwood Trade Park, Crawley, and Coombe Square, Thatcham; all of which, with the exception of a small unit in Folkestone, are now fully let. In addition, the successful settlement of the December 2004 rent review with one of our major tenants at 100 Bothwell Street, Glasgow (offices – 100,265 sq ft), has resulted in a 15% increase in rent payable, well ahead of expectations. The acquisition of Lotus Park, Staines in late July also made a positive contribution to income in the latter part of the period and is referred to in more detail below.

The pace of further growth in net income and profits will be largely determined by progress in securing tenants for the Group's two major ongoing development projects and the limited number of recently completed schemes that remain unoccupied. The larger of the two major projects is Wimbledon Gate, the Group's 58,500 sq ft office redevelopment in the centre of Wimbledon. The building, completed in September, provides an office headquarters to compete with the best available elsewhere in Central London. Its quality, appearance and specification have been well received by the market. Our other major scheme is the redevelopment of 1 Old Queen Street, SW1, which will provide an attractive high quality office building of 21,500 sq ft following the partial demolition and reconfiguring of the two buildings acquired in 2001. The external works are now finished and internal works are well under way with completion due early in the New Year. Both these schemes have already attracted considerable tenant interest, and we are at an advanced stage in negotiations with prospective occupiers.

Work commenced at the end of the period on the comprehensive refurbishment of Dacre House, SW1 (offices – 15,350 sq ft). The refurbishment includes the conversion of plant rooms at roof level to add additional office space, along with the reconfiguration of the reception area and office floors to provide fully air conditioned open floor plates. The works are due to be completed next Summer, when a full marketing programme will commence.

Unoccupied floor space within recently completed schemes is limited to a total of 37,300 sq ft at Pegasus Place, Crawley and Bartley House, Hook. We continue to market these buildings, and we have a number of interesting enquiries from prospective tenants.

The purchase of Lotus Park, Staines at the end of July for £27.65m was a significant acquisition for the Group. The investment comprises four prominent office buildings totalling 77,045 sq ft, with excellent car parking in a prime location close to the town centre and is let in its entirety to IBM until 2013. Staines is an attractive office centre with good prospects for rental growth due to its limited supply of quality office stock and its close proximity to Heathrow Airport and the M25.

The sale of Newminster House, Bristol (offices – 27,520 sq ft) in May for £5.12m, net of sale costs, resulted in a profit over book value of £221,000 and an historic profit over cost of £1.25m. After recent refurbishment work and the letting of vacant space, future growth prospects were considered to be limited in what has proved to be a difficult market in the past.

At the year end I also reported positive news in respect of the Group's property at Chobham. Since then, detailed planning consent has been granted for 54 residential units following completion of the S106 Agreement and we expect to market the site next year.

Finance

Net debt at 30th September 2005 was £108.73m (2004 – £74.10m) representing 80% of shareholders' funds (2004 – 60%). Facilities available to the Group increased during the period to £128.45m following the agreement of a new 10 year £30m fully revolving facility with Bradford & Bingley. If fully drawn, balance sheet gearing would increase to 94% of shareholders' funds. The Group's exposure to interest rate rises in respect of £52m of its borrowings is protected by financial hedging instruments, providing cover over 48% of net debt as at the end of the half year, reducing to 40% of net debt if fully drawn. These instruments provide strategic protection at competitive levels over the medium term against future increases in interest rates. The average cost of borrowing for the period was 6.0% (2004 – 5.9%) and the possibility of providing additional cover will be kept under review as the facilities available to the Group increase.

We continue to monitor the possibility of the introduction of tax efficient real estate investment trusts (REITs). Their introduction has been delayed for some time as the Government has continued to review various issues. It would appear that progress is now being made towards the introduction of REITs in the 2006 Finance Bill, although a number of details including the cost of entry, income distribution and development flexibility, will be key considerations to determine the benefit to the Group.

Future prospects

Notable progress overall has been made during the first half of the financial year which leaves the Group well placed to move ahead strongly. The completion of developments at Wimbledon Gate and 1 Old Queen Street will add two top class office buildings to the portfolio, in keeping with our philosophy of developing schemes of quality in established and improving locations in the South-East. We are already seeing benefits arising from the significant acquisition of Lotus Park, Staines and have made further progress towards the disposal of the land at Chobham.

There are positive signs that demand for high quality buildings from occupiers in our sector is picking up, borne out by the encouraging interest being shown in our two new developments which, when let, will add significantly to shareholder value.

E. S. G. Lloyd
Chairman

14th December 2005

Consolidated Income Statement

Six months to 30th September 2005

	Notes	6 months to 30th September 2005 (Unaudited) £'000	6 months to 30th September 2004 Restated (Unaudited) £'000	12 months to 31st March 2005 Restated (Unaudited) £'000
Gross rents and service charges receivable		9,080	8,539	17,241
Direct property outgoings		(1,813)	(1,968)	(3,896)
Income from investment properties		7,267	6,571	13,345
Administration costs		(1,304)	(1,210)	(2,665)
Operating profit before gains on investment properties		5,963	5,361	10,680
Profit on disposal of investment properties		221	578	568
Movement in revaluation of investment properties	3	(228)	(128)	13,253
Operating profit	4	5,956	5,811	24,501
Finance costs	8	(3,052)	(2,084)	(4,094)
Share of profit of associated undertaking		116	98	541
Profit before taxation		3,020	3,825	20,948
Taxation	6	(795)	(806)	(4,058)
Profit for the period		2,225	3,019	16,890
Earnings per share	7			
Basic		4.89p	6.65p	37.16p
Diluted		4.87p	6.64p	36.96p

Adjusted earnings per share figures are shown in note 7.

Consolidated Balance Sheet

As at 30th September 2005

	Notes	As at 30th September 2005 (Unaudited) £'000	As at 30th September 2004 Restated (Unaudited) £'000	As at 31st March 2005 Restated (Unaudited) £'000
Non-current assets				
Investment properties		264,473	214,722	234,196
Plant and equipment		76	65	64
Investments		5,135	4,662	5,019
		269,684	219,449	239,279
Current assets				
Trade and other receivables		3,211	3,143	2,992
Cash and cash equivalents		2,676	1,364	2,271
		5,887	4,507	5,263
Total assets		275,571	223,956	244,542
Current liabilities				
Loans and other borrowings		(797)	(3,200)	(792)
Corporation tax payable		(716)	(1,248)	(688)
Trade and other payables		(7,142)	(5,754)	(6,328)
		(8,655)	(10,202)	(7,808)
Non-current liabilities				
Loans and other borrowings		(110,468)	(72,260)	(80,195)
Pension fund liabilities		(1,148)	(1,271)	(1,189)
Finance lease liabilities		(4,469)	(4,469)	(4,469)
Deferred tax		(14,966)	(11,998)	(14,697)
		(131,051)	(89,998)	(100,550)
Total liabilities		(139,706)	(100,200)	(108,358)
Net assets		135,865	123,756	136,184
Equity				
Called up share capital		9,111	9,110	9,110
Share premium account		2,124	2,115	2,115
Capital reserves – distributable		35,724	34,341	34,523
Retained earnings – distributable		26,188	24,944	25,720
Retained earnings – non distributable		62,718	53,246	64,716
Equity shareholders' funds		135,865	123,756	136,184
Net asset value per share	9	298p	272p	299p
Adjusted net asset value per share	9	330p	297p	330p

Consolidated Cash Flow Statement

Six months to 30th September 2005

	6 months to 30th September 2005 (Unaudited) £'000	6 months to 30th September 2004 Restated (Unaudited) £'000	12 months to 31st March 2005 Restated (Unaudited) £'000
Operating activities			
Operating profit	5,956	5,811	24,501
Adjustments for:			
Depreciation and other non-cash movements	(2)	8	17
Profit on disposal of investment properties	(221)	(578)	(568)
Movement in revaluation of investment properties	228	128	(13,253)
Cash flow from operations before changes in working capital	5,961	5,369	10,697
Increase in debtors	(191)	(155)	(3)
Decrease in creditors	(386)	(662)	(81)
Cash generated from operations	5,384	4,552	10,613
Interest paid	(2,239)	(2,759)	(5,251)
Interest received	17	27	44
Corporation tax paid	(545)	(447)	(1,519)
Cash flows from operating activities	2,617	1,373	3,887
Investing activities			
Sale of investment properties	5,121	4,673	4,663
Dividends from sundry investments	1	1	1
Dividends from associated undertaking	—	—	117
Purchase and development of investment properties	(34,766)	(3,084)	(8,846)
Purchase of other fixed assets	(31)	(2)	(21)
Cash flows from investing activities	(29,675)	1,588	(4,086)
Financing activities			
Proceeds from issue of share capital	9	366	366
Increase in borrowings	30,278	(900)	4,627
Equity dividends paid	(2,824)	(2,670)	(4,130)
Cash flows from financing activities	27,463	(3,204)	863
Net increase/(decrease) in cash and cash equivalents	405	(243)	664
Cash and cash equivalents at 1st April	2,271	1,607	1,607
Cash and cash equivalents at end of period	2,676	1,364	2,271

Other Primary Statements

Six months to 30th September 2005

Consolidated Statement of Recognised Income and Expense

	6 months to 30th September 2005 (Unaudited) £'000	6 months to 30th September 2004 Restated (Unaudited) £'000	12 months to 31st March 2005 Restated (Unaudited) £'000
Actuarial movement on defined benefit pension scheme	(11)	(63)	(143)
Deferred tax on fair value of share options	54	45	117
Fair value of derivatives	202	—	—
Exchange gain	—	—	8
Net income recognised directly in equity	245	(18)	(18)
Profit for the period	2,225	3,019	16,890
Total recognised income and expense for the period	2,470	3,001	16,872

Consolidated Statement of Changes in Equity

Opening shareholders funds as previously reported	143,796	128,471	128,471
Effect of adopting IFRS (note 11)	(7,612)	(5,430)	(5,430)
Opening shareholders funds restated under IFRS	136,184	123,041	123,041
Fair value of share options granted	35	18	35
Premium arising on issue of shares under share option scheme	—	307	307
Nominal value of issue of shares under share option scheme	—	59	59
	136,219	123,425	123,442
Total recognised income and expense for the period	2,470	3,001	16,872
	138,689	126,426	140,314
Dividends	(2,824)	(2,670)	(4,130)
Closing shareholders' funds	135,865	123,756	136,184

Notes to the Interim Statement
Six months to 30th September 2005

1 International Financial Reporting Standards

The results for the six months ended 30th September 2005 are the first to be prepared on the basis of the recognition and measurement requirements of applicable International Financial Reporting Standards (IFRS), which have been adopted by the Group and incorporated into the principal accounting policies set out in note 2. From 1st January 2005, all listed companies trading on a regulated market in any European Union member state are required to adopt this basis of accounting. Note 11 to these accounts and the subsequent pages set out detailed reconciliations to show the differences in accounting treatment as compared to the previous UK GAAP basis of accounting. There are reconciliations for the Group income statement (formerly the Group profit and loss account) and Group balance sheet for the six months ended 30th September 2005, the restated comparative results for the year ended 31st March 2005 and the six months ended 30th September 2004, and the opening IFRS balance sheet as at 1st April 2004, being the date of transition to IFRS.

The financial information included in this document is unaudited and does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31st March 2005 prepared in accordance with UK GAAP have been filed with the Registrar of Companies. The auditors have reported on the 2005 accounts; their report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

Basis of preparation
The results have been prepared using applicable IFRS, which includes International Accounting Standards (IAS) and Interpretations issued by the International Accounting Standards Board (IASB) and its committees, which are expected to be endorsed by the European Union and apply to the 2006 full year results.

In preparing these results, certain of the exemptions allowed by IFRS 1, First-time Adoption of IFRS, have been taken. These are:

- The comparative periods have not been restated for IAS 39, Financial Instruments: Recognition and Measurement. The fair value of these instruments at 1st April 2005 was passed through reserves, and the subsequent movement in the first half year of 2006 is reported in the Group’s income statement.
- IFRS 2, Share-based Payment, has not been applied to share options granted on or before 7th November 2002, unless they had vested by 1st January 2005.
- Goodwill arising prior to 1st April 2004, the date of transition to IFRS, which was previously written off against reserves, has not been reconsidered in preparing the Group's opening balance sheet under IFRS at 1st April 2004.

Key changes
The main differences from UK GAAP are:

- Annual revaluation surpluses or deficits on investment properties are included in the income statement, whereas previously this was reported as a movement on the balance sheet through the revaluation reserve.
- Capital gains tax payable in the event that all the Group's investment properties were sold at the balance sheet date is included as an additional deferred tax liability in the balance sheet, having previously been disclosed as a note to the accounts. The movement in valuation of the investment properties during the year will affect the tax charge in the income statement.
- Leasehold property valuations are grossed up to incorporate the future head lease payments and a corresponding financial liability is recognised. This is an accounting treatment and does not impact on the external valuation of investment properties.
- The value of lease incentives is spread over the life of a lease, or to the first tenant’s break, rather than to the first rent review.
- Movement in the fair value of derivatives is reported in the income statement.
- No provision is made for proposed dividends.

1 International Financial Reporting Standards continued

Cash flow

Despite all the changes to the reporting of assets, liabilities and performance, the cash flows that underlie the business remain the same. The cash flow statement reported under IFRS differs in presentation from UK GAAP. The effect of the change in categorisation is to reduce the number of headings in the cash flow statement. Interest payments and receipts are now reported within operating activities, and tax payments and receipts are split between operating and investing activities.

2 Principal accounting policies

The principal accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. In applying the policies, management has made judgements, based on measurement concepts and assumptions using historical experience and other sources, which are reviewed periodically. Any changes in accounting estimates are recognised in the period affected and may differ from actual results.

Basis of consolidation

The consolidated financial statements incorporate the results of the Company and its subsidiary companies for the six months to 30th September 2005. Subsidiary companies are those entities under the control of the Company. Control means the power to govern the financial and operating policies so as to obtain benefits from its activities.

All subsidiary companies accounts have been prepared under IFRS.

Associates

An associate is an undertaking over which the Group exercises significant influence, but not control, through participation in the financial and operating policies. The Group's share of the total recognised gains and losses of associates are included in the consolidated financial statements on an equity accounted basis. Investments in associates are carried in the balance sheet at cost as adjusted by the post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Financial instruments

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

The instruments are stated at fair value at the balance sheet date which is the estimated amount that the Group would receive or pay to terminate the instruments. The Group has not applied hedge accounting for any financial instrument in place and any movement in fair value is reported in the income statement.

Properties

The Group's properties are held as investments to earn rental income and for capital appreciation and are stated at fair value at the balance sheet date. The value, based on market values, is determined annually by independent external valuers and any gain or loss arising from a change in fair value is recognised in the income statement.

When an existing investment property is redeveloped for continued future use as an investment property it remains an investment property whilst in development.

Subsequent expenditure on investment properties is capitalised only when it increases the future economic benefits associated with the property. All other expenditure is charged in the income statement.

2 Principal accounting policies continued

Properties continued
Interest and other outgoings less rental income relating to investment properties in the course of development are capitalised, before tax relief, and added to the cost of the property. Interest capitalised is calculated on development expenditure, including material refurbishments to investment properties, using the weighted average cost of general Group borrowings for the year.

A property ceases to be treated as being in the course of development when substantially all the activities that are necessary to prepare the property for use are complete.

The Group's investment properties held on long leases are accounted for as finance leases and carried at fair value. The present value of the future minimum lease payments are recognised as a liability with a corresponding asset added to the carrying value of the leasehold property. The minimum lease payments are apportioned between a finance charge in the income statement and the reduction of the balance sheet liability. Contingent rents are charged as an expense in the income statement in the period incurred.

Any accrued rent receivable recognised as a separate asset in accordance with the Group's accounting policy on lease incentives is deducted from the external valuation.

Gains and losses arising on the disposal of investment properties are recognised in the income statement, being the difference between net sale proceeds and the carrying value of the property. These gains and losses are then allocated to the capital reserve in the movements in capital and reserves.

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

Goodwill
Goodwill arising on acquisition of a subsidiary represents the excess of cost over the net fair value of the separable assets acquired. Goodwill arising on acquisitions is capitalised at cost and carried in the balance sheet less any accumulated impairment losses. Negative goodwill, where the fair value of the assets acquired exceeds cost, is recognised immediately in the income statement.

Impairment
The carrying amounts of the Group's assets, other than investment property measured at fair value and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. Assets subject to impairment losses are stated at their estimated recoverable amount, being the greater of the net selling price or value-in-use, the loss being recognised in the income statement.

Rental income
Rental income received under operating leases from investment properties is recognised in the income statement on a straight line basis over the term of the lease.

The Group treats the aggregate value of incentives given to lessees as a reduction of rental income over the lease term.

Surrender premiums received from outgoing tenants prior to the expiry of their lease are included in rental income.

Borrowing costs
Interest on overdrafts and other bank borrowings, is recognised in the income statement in the period during which it is incurred, except for interest capitalised in accordance with the Group's policy on properties under development. The interest expense component of finance lease payments is recognised in the income statement over the lease term. Facility arrangement costs are recognised in the income statement over the facility term.

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

2 Principal accounting policies continued

Share option scheme

The Group operates a share option scheme under which directors and employees are able to acquire shares in the Company. The option exercise price is equal to the mid-market price of the underlying shares at the date of the grant.

The fair value of the benefit of the options awarded is recognised in the income statement over the vesting period of the award by reference to a binomial option pricing model, adjusted only for the number of shares expected to vest. In accordance with the IFRS transitional provisions, retained earnings have been adjusted for the fair value of options granted after 7th November 2002 and not yet vested at 1st January 2005.

Post employment benefits

The Group operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group, being externally invested.

The value of the defined benefit scheme obligations is recognised in the balance sheet. Changes in actuarial gains and losses arising in respect of the Group's obligations are recognised as movements in equity, through the statement of recognised income and expense. Current service cost and interest on scheme liabilities less the expected return on scheme assets are recognised as an expense in the income statement.

The Group also contributes to certain eligible employees' defined contribution personal pension plans and does not accept any responsibility for the benefits gained from these plans. The contributions are recognised as an expense in the income statement as incurred.

Taxation

The tax charge in the income statement comprises current and deferred tax except to the extent that it relates to items recognised directly in reserves, in which case the related tax is recognised in reserves.

Current tax is based on the taxable income for the year and any adjustment to tax payable in respect of previous years. Taxable income may exclude income and expenses in the income statement that are taxable or deductible in other years and items that are never taxable or deductible. The tax rate is that enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised using the balance sheet liability method, without discounting, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that future taxable profits will be available against which the asset can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill not deductible for tax purposes, and the initial recognition of other assets and liabilities that affect neither accounting nor taxable profit. Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that there will be future taxable profits against which the asset can be utilised. Deferred tax is calculated at the rate enacted or expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax on property revaluation movements has been calculated on the basis of the contingent tax that would arise in the event of a sale of a property. This method has been applied as the Group sells properties from time to time and ultimately the carrying value of the properties will be recovered through sale.

3 Properties

The Group's properties are valued at the end of each financial year and were not revalued at 30th September 2005. The consolidated balance sheet reflects the values as at 31st March 2005 adjusted for additions (including lease set up costs) and disposals during the period, and any adjustments resulting from spreading lease incentives over the lease term.

The movement in property valuation in the period under review relates to capitalisation of lease set up costs and a net increase in the lease incentive debtor.

4 Operating profit

Operating profit is identified in the income statement and represents the profit on activities before finance costs, share of associated undertakings and taxation.

5 Adjusted profit before tax

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

	6 months to 30th September 2005 (Unaudited) £'000	6 months to 30th September 2004 (Unaudited) £'000	12 months to 31st March 2005 (Unaudited) £'000
Profit before tax	3,020	3,825	20,948
Change in fair value of derivatives	851	—	—
Movement in revaluation of properties	228	128	(13,253)
Profit on disposal of investment properties	(221)	(578)	(568)
Associated undertakings	(11)	42	(347)
Adjusted profit before tax	3,867	3,417	6,780

6 Taxation

	6 months to 30th September 2005 (Unaudited) £'000	6 months to 30th September 2004 (Unaudited) £'000	12 months to 31st March 2005 (Unaudited) £'000
Analysis of charge in period:			
Current tax:			
UK corporation tax on profits for the period	568	604	1,070
Adjustments in respect of prior periods	(3)	(38)	(33)
Total current tax	565	566	1,037
Deferred tax:			
Origination and reversal of temporary differences	230	240	3,021
Total tax charge in the income statement	795	806	4,058
Reconciliation to effective rate of tax:			
Current tax reconciliation:			
Profit before tax	3,020	3,825	20,948
Tax on profit at 30% (2004 – 30%)	906	1,147	6,284
Effects of:			
Expenses not deductible for tax purposes	18	5	14
Pension liabilities	(26)	(32)	(50)
Deferred tax released on sale of investment properties	(67)	(111)	(88)
Associated company	(35)	(29)	(162)
Chargeable gains on sale of investment properties	(66)	(174)	(170)
Movement on revaluation of investment properties	68	38	(1,737)
Adjustment to tax charge in respect of prior years	(3)	(38)	(33)
Tax charge for period (as above)	795	806	4,058

Notes to the Interim Statement
Six months to 30th September 2005

7 Earnings per share

	6 months to 30th September 2005 p	6 months to 30th September 2004 p	12 months to 31st March 2005 p
Earnings per share	4.89	6.65	37.16
Deferred tax on capital allowances	0.44	0.30	0.87
Change in fair value of derivatives	1.31	—	—
Movement in revaluation of investment properties	—	—	(24.81)
Property sales after taxation	(0.58)	(1.28)	(1.44)
Adjusted earnings per share	6.06	5.67	11.78

Earnings per share on ordinary shares are based on earnings after tax of £2,225,515 (2004 – £3,019,842) and 45,552,512 (2004 – 45,364,819) shares, being the weighted average number of ordinary shares in issue during the period.

Reconciliation of earnings per share to diluted earnings per share:

	6 months to 30th September 2005	6 months to 30th September 2004	6 months to 30th September 2005 p	6 months to 30th September 2004 p
Weighted number of ordinary shares in issue	45,552,512	45,364,819	4.89	6.65
Number of shares under option	1,556,201	620,182	(0.15)	(0.09)
Number of shares that would have been issued at fair value	(1,334,698)	(549,385)	0.13	0.08
	45,774,015	45,435,616	4.87	6.64

	6 months to 30th September 2005 p	6 months to 30th September 2004 p	12 months to 31st March 2005 p
Diluted earnings per share	4.87	6.64	36.96
Deferred tax on capital allowances	0.44	0.30	0.87
Change in fair value of derivatives	1.30	—	—
Movement in revaluation of investment properties	—	—	(24.68)
Property sales after taxation	(0.58)	(1.28)	(1.43)
Adjusted diluted earnings per share	6.03	5.66	11.72

Diluted earnings per share are based on the same earnings after tax and on the weighted average number of shares in issue during the period of 45,774,015 (2004 – 45,435,616) shares, which takes into account the number of potential ordinary shares arising from the exercise of share options.

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, as well as the deferred tax provided on capital allowances on development and investment properties, where no tax payment is expected to crystallise. These adjustments are made in order to show the recurring element of the Group’s profit.

8 Finance costs

	6 months to 30th September 2005 (Unaudited) £'000	6 months to 30th September 2004 (Unaudited) £'000	12 months to 31st March 2005 (Unaudited) £'000
Interest expense:			
Interest on bank overdraft and loans	2,735	2,261	4,640
Finance lease interest on leasehold property obligations	144	144	289
Change in fair value of derivatives	851	—	—
Amortisation of facility fees	7	—	—
	3,737	2,405	4,929
Capitalised interest	(665)	(291)	(786)
	3,072	2,114	4,143
Interest income:			
Interest on short term deposits	(13)	(14)	(22)
Other interest receivable	(7)	(16)	(27)
	(20)	(30)	(49)
	3,052	2,084	4,094

9 Net asset value per share

	30th September 2005			30th September 2004			31st March 2005		
	Net assets £'000	Shares '000	Net asset value per share p	Net assets £'000	Shares '000	Net asset value per share p	Net assets £'000	Shares '000	Net asset value per share p
Basic	135,865	45,556	298	123,756	45,551	272	136,184	45,551	299
Deferred tax on capital allowances	5,535	—	12	5,204	—	11	5,342	—	12
Deferred tax on revaluation movements	8,771	—	19	6,466	—	14	8,771	—	19
Fair value of derivatives net of deferred tax	396	—	1	—	—	—	—	—	—
Adjusted	150,567	45,556	330	135,426	45,551	297	150,297	45,551	330

Adjusted net assets excludes the deferred tax arising on revaluation movements and the fair value of derivatives, as this is considered to better represent the liabilities of the Group. In addition the deferred tax arising on capital allowances in respect of development and investment properties is excluded, as this is not expected to crystallise.

Notes to the Interim Statement
Six months to 30th September 2005

10 Interim statement

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, and on the Company's website at www.mckaysecurities.plc.uk.

11 Reconciliation of UK GAAP to IFRS

To illustrate the changes introduced by International Financial Reporting Standards ("IFRS"), and the impact on Group results when compared to UK GAAP, the transitional requirements are for a set of detailed reconciliations going back to the balance sheet as at 31st March 2004. In the subsequent pages, reconciliations are therefore set out for the six months ended 30th September 2005 and also for the restated comparative results for the year ended 31st March 2005, and the six months ended 30th September 2004. The balance sheet as at 31st March 2004 is also included.

The IFRS accounting standards that impact on the Group's results are identified in the reconciliations, and are as follows:

IAS 17 – Leases

Under IFRS 17 the Group's investment properties held on long leases are accounted for as finance leases, as the risks and rewards under the lease are transferred to the Group and carried at fair value. A liability is recognised in the balance sheet equivalent to the present value of the future minimum lease payments at inception and a corresponding amount added back to the valuation.

The rent paid under the leases, previously reported as ground rent under property outgoings, is reclassified and split between interest payable and repayment of the lease liability. Any additional rent arising due to a rent review over that payable at the lease inception is included in property outgoings.

All the leases granted by the Group, to date, are classified as operating leases.

Under UK GAAP letting costs of development properties were capitalised but all other letting costs were expensed as incurred. Under IFRS all letting costs are capitalised and amortised over the lease term.

SIC 15 – Operating leases - incentives

The aggregate value of incentives given to tenants at the beginning of a lease is treated as a reduction of rental income over the lease term. Under UK GAAP incentives were spread to the earlier of the first rent review or lease expiry. SIC 15 has the effect of changing the duration over which the incentive is spread but not the aggregate value of amounts recognised as lease incentives.

IAS 1 – Presentation of financial statements

The Group's share of associates profit or loss after tax is now shown under a single heading in the income statement. Under UK GAAP, the Group's share of associates profit or loss on property sales and taxation were added to the Group figures under those headings.

11 Reconciliation of UK GAAP to IFRS continued

IAS 19 – Employee benefits

The defined benefit pension scheme liability and attached deferred tax asset is now recognised in the balance sheet. Future actuarial gains and losses arising in respect of the Group's obligations are recognised as movements in equity, through the statement of recognised income and expense. Service costs and interest on scheme liabilities less the expected return on scheme assets are recognised as an expense in the income statement.

The Group has taken advantage of the exemption in IAS 19 for defined benefit pension schemes and not adopted the corridor approach but has recognised the scheme deficit immediately in equity.

IAS 10 – Events after the balance sheet date

Dividends declared after the balance sheet date but not yet approved by shareholders are not recognised as a liability under IFRS. They are reported when approved in the notes in movements in retained earnings. Previously, under UK GAAP, dividends declared were shown as an appropriation from the profit and loss account.

IFRS 2 – Share-based payment

The fair value of share options granted to directors and employees as part of their remuneration is charged to the income statement over their vesting period, usually three years, and is adjusted only for changes in the number of shares expected to vest. This change from UK GAAP, under which no cost was recognised in the financial statements, covers those share options granted after 7th November 2002 but which had not vested on 1st January 2005.

IAS 12 – Income taxes

Under IFRS deferred taxation is calculated on the temporary differences between the carrying amount of assets and liabilities in the balance sheet and the amount at which they are recognised for tax purposes; their tax base. Under UK GAAP, the tax was accounted for on timing differences between the period in which items of income or expenditure appeared in the profit and loss account and when they were recognised for tax purposes.

Provision is made for the tax that would be payable if the investment properties were sold at their year end valuations which has the effect of reducing net assets. The deferred tax provision on the balance sheet as at 30th September 2005 has increased by £8,771,000. Any year on year change is recognised in the income statement. Previously, under UK GAAP, this contingent liability was disclosed as a note.

IAS 40 – Investment property

Under IFRS movements in property valuations are accounted for in the income statement rather than as a direct movement in reserves as previously under UK GAAP. The revaluation reserve is amalgamated into retained earnings at transition to IFRS and remains unrealised and therefore has had no effect on the Group's distributable reserves.

Properties under development which were held prior to development as investment properties are required to be recorded at fair value.

IAS 32 – Financial instruments: disclosure and presentation
IAS 39 – Financial instruments: recognition and measurement

Interest rate derivatives are recognised at fair value and the gain or loss arising is recognised in the income statement.

The Group has taken advantage of the exemption under IFRS 1 to defer the adoption of IAS 32 and 39 until 1st April 2005 for the accounting of its interest rate derivatives.

Reconciliation of UK GAAP to IFRS Consolidated Income Statement

Six months to 30th September 2005

	UK GAAP £'000	Reclassify headlease rents IAS 17 £'000	Letting incentives amortised over lease SIC 15 £'000
Gross rents and service charges receivable	8,906	—	174
Direct property outgoings	(1,989)	122	—
Income from investment properties	6,917	122	174
Administration costs	(1,359)	1	—
Operating profit before gains on investment properties	5,558	123	174
Profit on disposal of investment properties	264	—	—
Movement in revaluation of investment properties	—	—	(174)
Operating profit	5,822	123	—
Net interest payable	(2,050)	(144)	—
Change in fair value of derivatives	—	—	—
Share of profit of associated undertaking	105	—	—
Profit before taxation	3,877	(21)	—
Taxation	(1,027)	6	(53)
	2,850	(15)	(53)
Dividends	(1,549)	—	—
Retained profit	1,301	(15)	(53)
Earnings per share			
Basic	6.26p	(0.03)p	(0.12)p
Diluted	6.24p	(0.03)p	(0.12)p
Adjusted earnings per share			
Basic	6.12p		
Diluted	6.10p		

Letting costs amortised over lease IAS 17 £'000	Reclassify share of associated undertaking IAS 1 £'000	Defined benefit pension fund liabilities IAS 19 £'000	Dividends not shown as an expense IAS 10 £'000	Share option expense IFRS 2	Derivatives IAS 39 £'000	Total adjustments £'000	IFRS £'000
—	—	—	—	—	—	174	9,080
54	—	—	—	—	—	176	(1,813)
54	—		—	—	—	350	7,267
—	—	82	—	(35)	7	55	(1,304)
54	—	82	—	(35)	7	405	5,963
—	(43)	—	—	—	—	(43)	221
(54)	—	—	—	—	—	(228)	(228)
—	(43)	82	—	(35)	7	134	5,956
—	—	—	—	—	(7)	(151)	(2,201)
—	—	—	—	—	(851)	(851)	(851)
—	11	—	—	—	—	11	116
—	(32)	82	—	(35)	(851)	(857)	3,020
—	32	(17)	—	11	253	232	(795)
—	—	65	—	(24)	(598)	(625)	2,225
—	—	—	1,549	—	—	1,549	—
—	—	65	1,549	(24)	(598)	924	2,225
		0.14p		(0.05)p	(1.31)p	(1.37)p	4.89p
		0.14p		(0.05)p	(1.31)p	(1.37)p	4.87p
							6.06p
							6.03p

Reconciliation of UK GAAP to IFRS Consolidated Balance Sheet

As at 30th September 2005

	UK GAAP £'000	Gross up headlease liabilities IAS 17 £'000	Letting incentives amortised over lease SIC 15 £'000	Letting costs amortised over lease IAS 17 £'000
Non-current assets				
Investment properties	261,510	4,222	(1,259)	—
Plant and equipment	76	—	—	—
Investments	5,135	—	—	—
	266,721	4,222	(1,259)	—
Current assets				
Trade and other receivables	2,414	—	1,259	—
Cash and cash equivalents	2,676	—	—	—
	5,090	—	1,259	—
Total assets	271,811	4,222	—	—
Current liabilities				
Loans and other borrowings	(797)	—	—	—
Corporation tax payable	(663)	—	(53)	—
Trade and other payables	(8,125)	—	—	—
	(9,585)	—	(53)	—
Non-current liabilities				
Loans and other borrowings	(110,468)	—	—	—
Pension fund liabilities	—	—	—	—
Finance lease liabilities	—	(4,469)	—	—
Deferred tax	(6,648)	74	(325)	—
	(117,116)	(4,395)	(325)	—
Total liabilities	(126,701)	(4,395)	(378)	—
Net assets	145,110	(173)	(378)	—
Equity				
Called up share capital	9,111	—	—	—
Share premium account	2,124	—	—	—
Revaluation reserve	72,860	—	(1,259)	(112)
Capital reserves – distributable	35,724	—	—	—
Retained earnings – distributable	25,291	(173)	881	112
Retained earnings – not distributable	—	—	—	—
Equity shareholders' funds	145,110	(173)	(378)	—
Basic net asset value per share	319p			
Adjusted net asset value per share	331p			

Defined benefit pension fund liabilities IAS 19 £'000	Dividend not declared IAS 10 £'000	Share option expense IFRS 2 £'000	Deferred tax on revaluation surplus IAS 12 £'000	Derivatives IAS 39 £'000	Revaluation surplus through income statement IAS 40 £'000	Total adjustments £'000	IFRS £'000
—	—	—	—	—	—	2,963	264,473
—	—	—	—	—	—	—	76
—	—	—	—	—	—	—	5,135
—	—	—	—	—	—	2,963	269,684
(462)	—	—	—	—	—	797	3,211
—	—	—	—	—	—	—	2,676
(462)	—	—	—	—	—	797	5,887
(462)	—	—	—	—	—	3,760	275,571
—	—	—	—	—	—	—	(797)
—	—	—	—	—	—	(53)	(716)
—	1,549	—	—	(566)	—	983	(7,142)
—	1,549	—	—	(566)	—	930	(8,655)
—	—	—	—	—	—	—	(110,468)
(1,148)	—	—	—	—	—	(1,148)	(1,148)
—	—	—	—	—	—	(4,469)	(4,469)
344	—	190	(8,771)	170	—	(8,318)	(14,966)
(804)	—	190	(8,771)	170	—	(13,935)	(131,051)
(804)	1,549	190	(8,771)	(396)	—	(13,005)	(139,706)
(1,266)	1,549	190	(8,771)	(396)	—	(9,245)	135,865
—	—	—	—	—	—	—	9,111
—	—	—	—	—	—	—	2,124
—	—	—	—	—	(71,489)	(72,860)	—
—	—	—	—	—	—	—	35,724
(1,266)	1,549	190	—	(396)	—	897	26,188
—	—	—	(8,771)	—	71,489	62,718	62,718
(1,266)	1,549	190	(8,771)	(396)	—	(9,245)	135,865
							298p
							330p

Reconciliation of UK GAAP to IFRS Consolidated Income Statement

For the year ended 31st March 2005

	UK GAAP £'000	Reclassify headlease rents IAS 17 £'000	Letting incentives amortised over lease SIC 15 £'000	Letting costs amortised over lease IAS 17 £'000
Gross rents and service charges receivable	16,964	—	277	—
Direct property outgoings	(4,216)	246	—	74
Income from investment properties	12,748	246	277	74
Administration costs	(2,730)	2	—	—
Operating profit before gains on investment properties	10,018	248	277	74
Profit on disposal of investment properties	653	—	—	—
Movement in revaluation of investment properties	—	—	(277)	(74)
Operating profit	10,671	248	—	—
Net interest payable	(3,805)	(289)	—	—
Share of profit of associated undertaking	257	—	—	—
Profit before taxation	7,123	(41)	—	—
Taxation	(1,824)	12	(83)	—
Profit for the financial year	5,299	(29)	(83)	—
Dividends	(4,284)	—	—	—
Profit retained	1,015	(29)	(83)	—
Earnings per share				
Basic	11.66p	(0.06)p	(0.18)p	
Diluted	11.60p	(0.06)p	(0.18)p	
Adjusted earnings per share				
Basic	11.09p			
Diluted	11.04p			

Reclassify share of associated undertaking IAS 1 £'000	Defined benefit pension fund liabilities IAS 19 £'000	Dividends not shown as an expense IAS 10 £'000	Share option expense IFRS 2 £'000	Deferred tax on revaluation surplus IAS 12 £'000	Revaluation surplus through income statement IAS 40 £'000	Total adjustments £'000	IFRS £'000
—	—	—	—	—	—	277	17,241
—	—	—	—	—	—	320	(3,896)
—	—	—	—	—	—	597	13,345
—	98	—	(35)	—	—	65	(2,665)
—	98	—	(35)	—	—	662	10,680
(85)	—	—	—	—	—	(85)	568
—	—	—	—	—	13,604	13,253	13,253
(85)	98	—	(35)	—	13,604	13,830	24,501
—	—	—	—	—	—	(289)	(4,094)
(15)	—	—	—	(33)	332	284	541
(100)	98	—	(35)	(33)	13,936	13,825	20,948
100	31	—	11	(2,305)	—	(2,234)	(4,058)
—	129	—	(24)	(2,338)	13,936	11,591	16,890
—	—	4,284	—	—	—	4,284	—
—	129	4,284	(24)	(2,338)	13,936	15,875	16,890
	0.28p		(0.05)p	(5.14)p	30.65p	25.50p	37.16p
	0.28p		(0.05)p	(5.12)p	30.49p	25.36p	36.96p
							11.78p
							11.72p

Reconciliation of UK GAAP to IFRS Consolidated Balance Sheet

As at 31st March 2005

	UK GAAP £'000	Gross up headlease liabilities IAS 17 £'000	Letting incentives amortised over lease SIC 15 £'000
Non-current assets			
Investment properties	230,973	4,242	(1,019)
Plant and equipment	64	—	—
Investments	5,019	—	—
	236,056	4,242	(1,019)
Current assets			
Trade and other receivables	2,461	—	1,019
Cash and cash equivalents	2,271	—	—
	4,732	—	1,019
Total assets	240,788	4,242	—
Current liabilities			
Loans and other borrowings	(792)	—	—
Corporation tax payable	(688)	—	—
Trade and other payables	(9,152)	—	—
	(10,632)	—	—
Non-current liabilities			
Loans and other borrowings	(80,195)	—	—
Pension fund liabilities	—	—	—
Finance lease liabilities	—	(4,469)	—
Deferred tax	(6,165)	68	(306)
	(86,360)	(4,401)	(306)
Total liabilities	(96,992)	(4,401)	(306)
Net assets	143,796	(159)	(306)
Equity			
Called up share capital	9,110	—	—
Share premium account	2,115	—	—
Revaluation reserve	73,793	—	(1,019)
Capital reserves – distributable	34,523	—	—
Retained earnings – distributable	24,255	(159)	—
Retained earnings – not distributable	—	—	713
Equity shareholders' funds	143,796	(159)	(306)
Basic net asset value per share	316p		
Adjusted net asset value per share	328p		

Letting costs amortised over lease IAS 17 £'000	Defined benefit pension fund liabilities IAS 19 £'000	Dividend not declared IAS 10 £'000	Share option expense IFRS 2 £'000	Deferred tax on revaluation surplus IAS 12 £'000	Revaluation surplus through income statement IAS 40 £'000	Total adjustments £'000	IFRS £'000
—	—	—	—	—	—	3,223	234,196
—	—	—	—	—	—	—	64
—	—	—	—	—	—	—	5,019
—	—	—	—	—	—	3,223	239,279
—	(488)	—	—	—	—	531	2,992
—	—	—	—	—	—	—	2,271
—	(488)	—	—	—	—	531	5,263
—	(488)	—	—	—	—	3,754	244,542
—	—	—	—	—	—	—	(792)
—	—	—	—	—	—	—	(688)
—	—	2,824	—	—	—	2,824	(6,328)
—	—	2,824	—	—	—	2,824	(7,808)
—	—	—	—	—	—	—	(80,195)
—	(1,189)	—	—	—	—	(1,189)	(1,189)
—	—	—	—	—	—	(4,469)	(4,469)
—	357	—	120	(8,771)	—	(8,532)	(14,697)
—	(832)	—	120	(8,771)	—	(14,190)	(100,550)
—	(832)	2,824	120	(8,771)	—	(11,366)	(108,358)
—	(1,320)	2,824	120	(8,771)	—	(7,612)	136,184
—	—	—	—	—	—	—	9,110
—	—	—	—	—	—	—	2,115
(99)	—	—	—	—	(72,675)	(73,793)	—
—	—	—	—	—	—	—	34,523
—	(1,320)	2,824	120	—	—	1,465	25,720
99	—	—	—	(8,771)	72,675	64,716	64,716
—	(1,320)	2,824	120	(8,771)	—	(7,612)	136,184
							299p
							330p

Reconciliation of UK GAAP to IFRS Consolidated Income Statement

Six months to 30th September 2004

	UK GAAP £'000	Reclassify headlease rents IAS 17 £'000
Gross rents and service charges receivable	8,422	—
Direct property outgoings	(2,101)	122
Income from investment properties	6,321	122
Administration costs	(1,242)	1
Operating profit before gains on investment properties	5,079	123
Profit on disposal of investment properties	578	—
Movement in revaluation of investment properties	—	—
Operating profit	5,657	123
Net interest payable	(1,940)	(144)
Share of profit of associated undertaking	140	—
Profit before taxation	3,857	(21)
Taxation	(841)	6
Profit for the period	3,016	(15)
Dividends	(1,460)	—
Profit retained	1,556	(15)
Earnings per share		
Basic	6.65p	(0.03)p
Diluted	6.64p	(0.03)p
Adjusted earnings per share		
Basic	5.67p	
Diluted	5.66p	

	Letting incentives amortised over lease SIC 15 £'000	Letting costs amortised over lease IAS 17 £'000	Reclassify share of associated undertaking IAS 1 £'000	Defined benefit pension fund liabilities IAS 19 £'000	Dividends not shown as an expense IAS 10 £'000	Share option expense IFRS 2 £'000	Total adjustments £'000	IFRS £'000
	117	—	—	—	—	—	117	8,539
	—	11	—	—	—	—	133	(1,968)
	117	11	—	—	—	—	250	6,571
	—	—	—	49	—	(18)	32	(1,210)
	117	11	—	49	—	(18)	282	5,361
	—	—	—	—	—	—	—	578
	(117)	(11)	—	—	—	—	(128)	(128)
	—	—	—	49	—	(18)	154	5,811
	—	—	—	—	—	—	(144)	(2,084)
	—	—	(42)	—	—	—	(42)	98
	—	—	(42)	49	—	(18)	(32)	3,825
	(35)	—	42	16	—	6	35	(806)
	(35)	—	—	65	—	(12)	3	3,019
	—	—	—	—	1,460	—	1,460	—
	(35)	—	—	65	1,460	(12)	1,463	3,019
	(0.08)p			0.14p		(0.03)p		6.65p
	(0.08)p			0.14p		(0.03)p		6.64p
								5.67p
								5.66p

Reconciliation of UK GAAP to IFRS Consolidated Balance Sheet

As at 30th September 2004

	UK GAAP £'000	Gross up headlease liabilities IAS 17 £'000	Letting incentives amortised over lease SIC 15 £'000
Non-current assets			
Investment properties	211,311	4,262	(851)
Plant and equipment	65	—	—
Investments	4,662	—	—
	216,038	4,262	(851)
Current assets			
Trade and other receivables	2,761	—	851
Cash and cash equivalents	1,364	—	—
	4,125	—	851
Total assets	220,163	4,262	—
Current liabilities			
Loans and other borrowings	(3,200)	—	—
Corporation tax payable	(1,248)	—	—
Trade and other payables	(7,212)	—	—
	(11,660)	—	—
Non-current liabilities			
Loans and other borrowings	(72,260)	—	—
Pension fund liabilities	—	—	—
Finance lease liabilities	—	(4,469)	—
Deferred tax	(5,753)	62	(255)
	(78,013)	(4,407)	(255)
Total liabilities	(89,673)	(4,407)	(255)
Net assets	130,490	(145)	(255)
Equity			
Called up share capital	9,110	—	—
Share premium account	2,115	—	—
Revaluation reserve	59,994	—	(851)
Capital reserves – distributable	34,341	—	—
Retained earnings – distributable	24,930	(145)	—
Retained earnings – not distributable	—	—	596
Equity shareholders' funds	130,490	(145)	(255)
Basic net asset value per share	286p		
Adjusted net asset value per share	297p		

Letting costs amortised over lease IAS 17 £'000	Defined benefit pension fund liabilities IAS 19 £'000	Dividend not declared IAS 10 £'000	Share option expense IFRS 2 £'000	Deferred tax on revaluation surplus IAS 12 £'000	Revaluation surplus through income statement IAS 40 £'000	Total adjustments £'000	IFRS £'000
—	—	—	—	—	—	3,411	214,722
—	—	—	—	—	—	—	65
—	—	—	—	—	—	—	4,662
—	—	—	—	—	—	3,411	219,449
—	(469)	—	—	—	—	382	3,143
—	—	—	—	—	—	—	1,364
—	(469)	—	—	—	—	382	4,507
—	(469)	—	—	—	—	3,793	223,956
—	—	—	—	—	—	—	(3,200)
—	—	—	—	—	—	—	(1,248)
—	—	1,458	—	—	—	1,458	(5,754)
—	—	1,458	—	—	—	1,458	(10,202)
—	—	—	—	—	—	—	(72,260)
—	(1,271)	—	—	—	—	(1,271)	(1,271)
—	—	—	—	—	—	(4,469)	(4,469)
—	381	—	60	(6,493)	—	(6,245)	(11,998)
—	(890)	—	60	(6,493)	—	(11,985)	(89,998)
—	(890)	1,458	60	(6,493)	—	(10,527)	(100,200)
—	(1,359)	1,458	60	(6,493)	—	(6,734)	123,756
—	—	—	—	—	—	—	9,110
—	—	—	—	—	—	—	2,115
(61)	—	—	—	—	(59,082)	(59,994)	—
—	—	—	—	—	—	—	34,341
—	(1,359)	1,458	60	—	—	14	24,944
61	—	—	—	(6,493)	59,082	53,246	53,246
—	(1,359)	1,458	60	(6,493)	—	(6,734)	123,756
							272p
							297p

Reconciliation of UK GAAP to IFRS Consolidated Balance Sheet
As at 31st March 2004

	UK GAAP £'000	Gross up headlease liabilities IAS 17 £'000	Letting incentives amortised over lease SIC 15 £'000
Non-current assets			
Investment properties	211,893	4,283	(742)
Plant and equipment	82	—	—
Investments	4,564	—	—
	216,539	4,283	(742)
Current assets			
Trade and other receivables	2,660	—	742
Cash and cash equivalents	1,607	—	—
	4,267	—	742
Total assets	220,806	4,283	—
Current liabilities			
Loans and other borrowings	(11,840)	—	—
Corporation tax payable	(1,158)	—	—
Trade and other payables	(9,326)	—	—
	(22,324)	—	—
Non-current liabilities			
Loans and other borrowings	(64,520)	—	—
Pension fund liabilities	—	—	—
Finance lease liabilities	—	(4,469)	—
Deferred tax	(5,491)	56	(223)
	(70,011)	(4,413)	(223)
Total liabilities	(92,335)	(4,413)	(223)
Net assets	128,471	(130)	(223)
Equity			
Called up share capital	9,051	—	—
Share premium account	1,808	—	—
Revaluation reserve	56,983	—	(742)
Capital reserves – distributable	36,677	—	—
Retained earnings – distributable	23,952	(130)	—
Retained earnings – not distributable	—	—	519
Equity shareholders' funds	128,471	(130)	(223)
Basic net asset value per share	284p		
Adjusted net asset value per share	295p		

Letting costs amortised over lease IAS 17 £'000	Defined benefit pension fund liabilities IAS 19 £'000	Dividend not declared IAS 10 £'000	Share option expense IFRS 2 £'000	Deferred tax on revaluation surplus IAS 12 £'000	Revaluation surplus through income statement IAS 40 £'000	Total adjustments £'000	IFRS £'000
—	—	—	—	—	—	3,541	215,434
—	—	—	—	—	—	—	82
—	—	—	—	—	—	—	4,564
—	—	—	—	—	—	3,541	220,080
—	(418)	—	—	—	—	324	2,984
—	—	—	—	—	—	—	1,607
—	(418)	—	—	—	—	324	4,591
—	(418)	—	—	—	—	3,865	224,671
—	—	—	—	—	—	—	(11,840)
—	—	—	—	—	—	—	(1,158)
—	—	2,670	—	—	—	2,670	(6,656)
—	—	2,670	—	—	—	2,670	(19,654)
—	—	—	—	—	—	—	(64,520)
—	(1,271)	—	—	—	—	(1,271)	(1,271)
—	—	—	—	—	—	(4,469)	(4,469)
—	381	—	27	(6,466)	—	(6,225)	(11,716)
—	(890)	—	27	(6,466)	—	(11,965)	(81,976)
—	(890)	2,670	27	(6,466)	—	(9,295)	(101,630)
—	(1,308)	2,670	27	(6,466)	—	(5,430)	123,041
—	—	—	—	—	—	—	9,051
—	—	—	—	—	—	—	1,808
(38)	—	—	—	—	(56,203)	(56,983)	—
—	—	—	—	—	—	—	36,677
—	(1,308)	2,670	27	—	—	1,259	25,211
38	—	—	—	(6,466)	56,203	50,294	50,294
—	(1,308)	2,670	27	(6,466)	—	(5,430)	123,041
							272p
							297p

Directors and Company Information

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Managing Director

Alan Childs
Finance Director

Steven Mew DipPropInv., M.R.I.C.S.
Director

Steven Morrice MSc, M.R.I.C.S.
Director

Iain McKay
Non-executive

Michael Hawkes F.R.I.C.S.
Senior non-executive

Ian Menzies, M.A., C.A.
Non-executive

Andrew Gulliford F.R.I.C.S.
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David Thomas F.C.A.
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