COMPLETION OF MAJOR TRANSACTIONS ENHANCES BALANCE STREET STRENGTH AND LEAVES MCKAY WELL POSITIONED FOR FUTURE GROWTH

McKay Securities Plc, the only Real Estate Investment Trust (REIT) specialising exclusively in the South East and London office, industrial and logistics markets today announces its half year results for the six months ended 30 September 2020.

Financial highlights

- Adjusted profit before tax up 3.7% to £5.27 million (30 September 2019: £5.08 million)
- Adjusted earnings per share increased by 3.9% to 5.59 pence (30 September 2019: 5.38 pence)
- IFRS loss before tax of £15.02 million (30 September 2019: profit £11.17 million), due to the valuation deficit compared with a surplus in the comparable period
- IFRS loss per share of 15.93 pence (30 September 2019: profit 10.83 pence)
- Gross rental income up 1.1% to £12.75 million (30 September 2019: £12.61 million), benefiting from active, inhouse portfolio management
- Strong rent collection throughout the period with 96.0% of rents for the year to date (three quarters) received or agreed
- Portfolio valuation of £438.95 million (31 March 2020: £510.00 million), resulting in a 3.4% valuation deficit of £15.64 million (post sale of 30 Lombard Street, EC3)
- Like for like portfolio ERV down 2.1% to £31.42 million pa
- NTA (EPRA) down 4.9% to 313 pence per share (31 March 2020: 329 pence)
- NAV (IFRS) down 4.9% to 312 pence per share (31 March 2020: 328 pence)

- Interim dividend of 2.8 pence per share, in line with the same period last year

Operational and strategic highlights

Largest asset sold

- Sale of 30 Lombard Street, EC3 completed during the period (13.2% of portfolio value as at 31 March 2020)
- 4.16% yield / £70.1 million cash proceeds (net of sale costs)
- LTV reduced to 30.3% (31 March 2020: 37.6%)

Largest development let

- 135 Theale Logistics Park (134,430 sq ft) completed: April 2020
- Fully let to Amazon: September 2020

Enhanced resilience and scope for growth

- Balance sheet transformed
- £10.0 million recycled into Willoughby Logistics Park, Bracknell, September 2020 at a 5.6% yield
- £108.0 million of undrawn facilities for new acquisitions and other opportunities
- £4.2 million pa (15.2%) portfolio reversion remaining

Simon Perkins, Chief Executive of McKay, said:

"We have achieved two significant milestones for the business during the period. Completion of the sale of our largest asset, 30 Lombard Street, EC3 for a headline price of £76.50 million has transformed our balance sheet and provided us with enhanced resilience and headroom for new acquisitions and other opportunities. Additionally, the letting of 135 Theale Logistics Park, our largest development, to Amazon on excellent terms, and our acquisition of Willoughby Logistics Park, Bracknell will both contribute to our net rental income and increase our portfolio weighting in the industrial and logistics sector to 25.1%.

"The relationships that we have built up with our occupiers through our direct in-house portfolio management approach have continued to be of great benefit. All our multi-let properties have remained open for business, and 96.0% of rent due for the year to date has so far either been received or agreed. Many businesses were planning a return to the office in September, prior to the government reverting to a home working policy. Once this policy is lifted, we see a return to the office gathering momentum. There will be changes in working practices, and our portfolio is ideally placed to benefit from a shift towards both decentralisation from central London and local working.

"In the meantime, the outlook remains dominated by the speed at which the Covid-19 pandemic passes and the impact it has on the economy. With the achievements of the last six months, and our consistent focus on the UK's strongest regions and sectors, we are in a strong position to navigate this period of uncertainty, and in due course capitalise on future opportunities."

- ENDS –

Date: 17 November 2020

NOTE

The Group uses a number of Alternative Performance measures (APMs) which are not defined or specified within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and allow greater comparability between periods but do not consider them to be a substitute for, or superior to, IFRS measures:

For reconciliation of adjusted profit before tax see note 4 below
For reconciliation of adjusted basic earnings per share see note 7 below
For reconciliation of NTA (EPRA) see note 12 below
For reconciliation of LTV see note 3 below

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About McKay

McKay Securities Plc is a commercial property investment company with Real Estate Investment Trust (REIT) status, listed on the main market of the London Stock Exchange. It specialises in the development and refurbishment of office, industrial and logistics buildings within proven markets of South East England and London. The portfolio at 30 September 2020 comprised 33 properties, valued at £438.95m, located in established areas, predominantly along the M4 corridor, where McKay has deep expertise, with a focus on growing satellite towns benefitting from strong connectively to London and robust demand amongst leading occupiers.

Forward looking statements
This announcement is for information purposes only and contains certain forward-looking statements which, by their nature, involve risk and uncertainty because they relate to or depend upon future events and circumstances. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements, including a number of factors outside McKay Securities Plc's control. All forward-looking statements are based upon information known to McKay Securities Plc on the date of this announcement and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. McKay Securities Plc gives no undertaking to update forward-looking statements whether as a result of new information, future events or otherwise. Information contained in this announcement relating to the Company should not be relied upon as an indicator of future performance.

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

Ex dividend date	26 November 2020
Record Date for the interim dividend	27 November 2020
Interim dividend paid	4 January 2021

An interim dividend per share of 2.8 pence, (2019: 2.8 pence per share), which will be paid as an ordinary dividend.

Chairman's Statement

This has been an extraordinary six months, during which the world has been buffeted by the impact of Covid-19. We started the period in lockdown, with the vast majority of the population barred from their office or place of work, and the country at a standstill. We reopened our office, and facilitated the safe occupation of our properties, in early June at the end of lockdown.

The gradual lifting of onerous restrictions thereafter and the welcome reduction in hospital admissions through the summer were encouraging and provided hope for a quick recovery and a return to a more stable environment. Unfortunately the significant increase in virus infections in recent weeks has undermined the hopes of recovery and we are now dealing with a second lockdown and an extended period of economic uncertainty.

Overview
Despite these challenging conditions, we were able to achieve the significant milestones for the business of completion of the sale of 30 Lombard Street, EC3 and the letting of 135 Theale Logistics Park, both on excellent terms. We also acquired a logistics asset in Bracknell, achieved strong rent collection with 96.0% of rent due for the year to date either paid or agreed and increased the portfolio occupancy from 88.7% to 91.2% with new lettings and high levels of occupier retention.

The £76.50 million headline price achieved for the sale of 30 Lombard Street, EC3 in early September reflected a 4.2% yield, realising the substantial gains from this successful speculative scheme where we were able to secure a 15 year lease to a strong covenant prior to completion of the building. The sale proceeds have strengthened the balance sheet, and reduced the ratio of net debt to portfolio value ('LTV') at the end of the period to 30.3% (31 March 2020: 37.6%). This strengthened position provides both capital flexibility and increased firepower to capitalise on attractive new acquisitions and other opportunities as they present themselves.

We were also able to generate substantial shareholder value with the letting of 135 Theale Logistics Park (134,430 sq ft) on a 10 year lease term to Amazon in late September. The contracted rent of £1.51 million pa, was 2.3% ahead of our valuer's estimate of rental value ('ERV') and will benefit from an index-linked rent review at the end of the fifth year. This, combined with the acquisition of Willoughby Logistics Park, Bracknell in August for £10.00 million at a 5.6% yield, has taken our portfolio weighting in the growing industrial and logistics sector to 25.1% (see Table 1 below).

With the benefit of our in-house portfolio management, gross rent received for the period was up 1.1% to £12.75 million (30 September 2019: £12.61 million), contributing to a 3.7% increase in adjusted profit before tax to £5.27 million (30 September 2019: £5.08 million). The reported IFRS loss before tax of £15.02 million (30 September 2019: £11.17 million profit) was due to the unrealised valuation deficit for the period, compared with a surplus in the comparable period.

The independent valuation of the portfolio at the end of the period, post the disposal of 30 Lombard Street, EC3, totalled £438.95 million (31 March 2020: £510.00 million). This reflected more challenging market conditions with a 3.4% (£15.64 million) deficit after taking into account portfolio expenditure, acquisitions and disposals (30 September 2019: £5.06 million surplus). It was also the main contributor to a 4.7% decrease in shareholder's funds to £294.74 million (31 March 2020: £309.17 million) and a 4.9% decrease in EPRA net tangible asset value per share ('EPRA NTA') to 313 pence (31 March 2020: 329 pence).

Although this has been a challenging period for the economy, our team has continued to perform and deliver without interruption and with excellent results. We remain confident that our office markets will recover and that we have the experience and market knowledge to benefit from the future recovery in these markets and the opportunities that a potential shift to decentralised locations may create.

Market review
The market over the period was dominated by the restrictive policy response to contain the pandemic. As a result, performance across all sectors was flat or negative with the MSCI Monthly Index (All Property) registering a 4.3% decline in capital values, a 1.7% decline in rental values and a total return of -1.6%. Our portfolio performance was similar with declines of 3.4% and 2.1% respectively, and a total return of -1.6%.

The potential for rental and capital growth in our South East and London office markets prior to Covid-19 was looking positive, due to steady levels of take-up, historically low levels of supply and a limited development pipeline. Occupiers were looking for higher levels of service from their landlords, as well as flexibility and contemporary workspaces to attract and retain staff, and were prepared to pay a higher rent to meet these requirements. However, since lockdown and the forced move to working from home, there has been a steep decline in letting activity across these markets while occupiers defer decisions, extend leases and assess their post Covid-19 requirements.

Take-up within the South East office market, which accounts for 56.3% of our portfolio (by value), for Q1 to Q3 2020 totalled 817,350 sq ft, 38.0% lower than the equivalent period last year and named demand of 2.17 million sq ft was 31.6% lower. However, there was no change to the occupier preference we have reported on in the past in respect of size and quality, with 98.0% of all transactions being sub 60,000 sq ft and 79.8% of take-up being new or Grade A floorspace.

The supply of available floorspace within this market remains constrained at historically low levels with a 7.7% vacancy rate overall, reducing to only 1.8% for new space. Developments and major refurbishments due for delivery by the end of 2021 will improve the choice available to occupiers, but supply looks set to remain constrained, particularly as new starts are being deferred due to market conditions.

There has been much speculation regarding whether the office has a future in view of the perceived success of home working. In our opinion, and based on recent surveys and discussions with existing and prospective occupiers, there is pent up demand to return to the office. Retaining a physical office presence is considered essential for business collaboration and continuity as well as meeting existing and future employee needs. We believe demand will return, but the shift in occupier trends and requirements that we were seeing and responding to pre-Covid are likely to accelerate. The work place will need to provide a safe, sustainable environment and be more welcoming, with a greater emphasis on health and wellbeing. These characteristics are reflected in our office assets as a result of recent refurbishment work and other management initiatives.

When government policy permits a wider return to work, the fundamental characteristics of the South East office market of constrained supply, aging stock and improving communications will once again underpin positive prospects for the sector and the Company. These prospects could be further enhanced for the Company if occupational strategies result in decentralisation from central London to established centres of the South East.

Table 1
Portfolio capital value and ERV by sector

Sector	Assets (no)	£m CV	%	£m ERV	%
Office – SE	17	247.15	56.3	20.66	65.8
Office – London	3	57.65	13.1	3.66	11.6
Office – Total	20	304.80	69.4	24.32	77.4
SE Industrial	9	110.35	25.1	6.09	19.4
Other	4	23.80	5.4	1.01	3.2
Total	**33**	**438.95**	**100.0**	**31.42**	**100.0**

The South East industrial and logistics sector (25.1% of our portfolio by value) continues to benefit from the rise in e-commerce, which has accelerated as a result of Covid-19. Take-up for Q1 to Q3 2020 totalled 6.86 million sq ft, 23.0% higher than the equivalent period last year, and total supply of 4.70 million sq ft represents a low vacancy rate of 4.0%. The positive trends in this market contributed to the successful letting of 135 Theale Logistics Park and look set to continue to support this growing segment of our portfolio.

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Asset management
Throughout lockdown and the months that followed, our asset management objective was to protect and enhance the value of the existing portfolio, with selective capital expenditure to maximise letting prospects. Despite the challenges, our internal team and external advisers were able to maintain full working capacity to deliver this objective.

Direct landlord management of buildings has never been more crucial than during the Covid-19 pandemic. This is an integral part of our business model and has generated close relationships with our occupiers, who appreciated the urgency and direct management of Covid-19 compliance at their buildings. These relationships have also enabled us to listen and help where appropriate, restructure leases and ultimately achieve high levels of rent collection and preserve maximum income for the business.

Both the quality of our assets and the regions in which we operate enable us to attract strong corporate occupiers. At 30 September 2020, 52.5% of our contracted rent was from businesses with a tangible net worth of at least £15.00 million or government occupiers. Our mix of assets across the office, industrial and logistics sectors avoids reliance on the performance of any one industry segment, and gives us a diverse occupier base, with portfolio ERV split: 32.3% financial and business services, 18.0% technology, 15.7% industrial and logistics, 11.3% real estate, construction and engineering, 5.7% manufacturing and pharmaceuticals and just 1.3% in retail.

During the period, we maintained a high 77.8% occupier retention rate at lease break or expiry (FY to 31 March 2020: 80.0%). We also secured £2.01 million pa of contracted rent from eight new open market lettings marginally ahead of ERV, and renewed 13 leases at a combined contracted rent of £1.29 million pa, 16.8% ahead of the prior passing rent. As a result, contracted rent at the end of the period totalled £27.27 million pa, up 7.0% (£1.74 million pa) over the six months for portfolio properties held throughout the period.

Table 2
Portfolio income

	30 September 2020			31 March 2020		
	£m pa	**Yield[2]**	**Occupancy[3]**	£m pa	Yield[2]	Occupancy[3]
Current rental income[1]	23.35	5.0%		21.90	4.0%	
Contracted rental income[1]	27.27	5.8%	91.2%	28.33	5.2%	88.7%
Uplifts at rent review/lease expiry	1.37			2.62		
Void properties (excluding developments[3])	2.78			2.48		
Void (developments)	–			1.48		
Portfolio reversion	4.15			6.48		
Total portfolio ERV	31.42	6.7%		34.91	6.4%	
Equivalent yield		6.3%			5.7%	

1 Net of ground rents.
2 Yield on portfolio valuation with notional purchaser's costs (6.75%) added.
3 By ERV.

As can be seen from Table 2, part of the portfolio reversion has been captured with the letting of 135 Theale Logistics Park. The balance of £4.15 million still provides growth potential for an increase of up to 15.2% in contracted rent.

Our asset management initiatives for the office segment of the portfolio continued to focus on occupier demand, particularly from small to medium-sized businesses across the South East. Many of these occupiers have been striving to find the best of both worlds; the flexibility and ease of occupation of serviced offices but at the cost of traditional space in modern well located buildings. This requirement profile has been enhanced by the impact of Covid-19 on occupational strategies to include the desire to drive to work, avoid crowded public transport and high density, high rise buildings. We are well placed to meet this demand and in particular with the McKay+ model which we have so far introduced into nine of our 12 multi-let offices. McKay+ office space consists of refurbished floors and suites from 500 sq ft to 8,000 sq ft, fitted with a kitchen area, private meeting rooms and fibre connectivity, which we have found to improve the speed and ease of lettings. Added to this, being directly managed by us, it means there is no middle man or hidden costs while the occupier still benefits from excellent customer service, flexibility and its own identity.

At The Mille in Brentford (96,700 sq ft), this approach enabled us to contract quickly with a business that was rapidly expanding out of serviced office accommodation elsewhere in the building. They were familiar with and liked our management of the building and in a period of just two weeks committed to a ten year lease (with a three year break) on the whole of the McKay+ sixth floor (8,174 sq ft) at a rent of £0.18 million pa. The McKay+ model also attracted Sedgwick International UK to take a ten year lease (with a five year break) of the final vacant suite (4,112 sq ft) at Prospero, Redhill (50,370 sq ft) at a rent of £0.13 million pa. This resulted in full occupation of our third recent speculative office development scheme, having already fully let 9 Greyfriars Road, Reading (38,490 sq ft) and 30 Lombard Street, EC3 (58,590 sq ft).

Refurbishment and betterment of recently vacated floorspace across the portfolio has continued, including the McKay+ model where appropriate. The largest scheme under way is at Corinthian House, Croydon (44,590 sq ft), where we are refurbishing dated office floorspace to deliver a variety of contemporary floors and suites into a highly accessible, under-supplied London sub-market at competitive rents. The first of five floors will be ready by Christmas 2020 and terms have already been agreed on half this floor.

Our industrial and logistics portfolio was significantly enhanced with the completion and letting of Theale Logistics Park, and the acquisition at Willoughby Road, Bracknell, both of which are referred to in more detail below. We have continued to benefit from the occupier demand in this sector, and at the McKay Industrial Estate at Poyle, close to Heathrow, our largest occupier renewed all four of their leases for a further six years at the ERV of £0.44 million pa. At Sopwith Drive, Weybridge (63,140 sq ft), we have a lease expiry next March, and are reviewing refurbishment options to improve the ERV and letting prospects. The inner M25 location, and the building characteristics are likely to attract good levels of occupier interest.

ESG
Consideration of environmental, social and governance issues ('ESG') continues to be a high priority not only for occupiers in our buildings, but for investors in our business and indeed all stakeholders. The McKay team has sustainability at the forefront of our decision making process and we anticipate that for the fifth year in a row the Global Real Estate Sustainability Benchmark ('GRESB') will award us a three star rating. Our score places the Company above the GRESB average, as we reduce our carbon footprint year on year and continue to deliver BREEAM excellent developments and refurbishments.

Development progress
With our recent office developments now all fully let, the final scheme of our programme was 135 Theale Logistics Park (134,430 sq ft) adjacent to junction 12 of the M4 motorway, Reading, where we redeveloped an existing asset and increased the floor area by 39.0% and doubled the rental value. The scheme achieved practical completion soon after lockdown in April. We therefore stepped up our virtual marketing campaign allowing potential tenants to view the highly specified unit and surrounding yard from internal and external drone recordings. This generated a letting of the entire scheme on a ten year term, with an option to renew for a further ten years, at £1.51 million pa, marginally ahead of ERV. The quality of the completed building and the letting terms achieved resulted in a significant 23.7% (£5.83 million) valuation surplus for the period, whilst delivering a 31.7% profit on cost for the scheme.

This completion leaves the Company with no major development exposure, and limited committed portfolio capital expenditure. This is a reassuring position to be in at present and future development projects will be kept under review until the outlook is clearer.

Disposals and acquisitions
Two disposals were completed during the period and a third remains subject to planning. The disposal of 30 Lombard Street, EC3 at a headline price of £76.50 million was the most significant, securing net sale proceeds of £70.09 million (after the deduction of fees and outstanding tenant letting incentives) and a 4.2% surplus to the 31 March 2020 book value. The sale exchanged in December 2019, conditional on completion of a highways agreement. This was delayed due to Covid-19 restrictions and finally cleared in September, triggering completion. The second disposal to complete was a small residential unit in Parkside, Knightsbridge for £0.71 million, taking net sale proceeds from disposals to £70.80 million.

Contracts were exchanged for the sale of The Planets (98,255 sq ft) in Woking to a residential developer in 2019, subject to planning. The buyer has, at its own cost, submitted an appeal against the council's planning refusal for a high rise residential tower which, if successful, will trigger completion of the sale in 2021. While the application is being considered, this low rise, town centre mixed use site is still 86.0% let to Woking Borough Council.

With the benefit of the proceeds from 30 Lombard Street, EC3, we have undrawn facilities of £108.00 million, providing substantial headroom for investment. We made one purchase during the period which was a fully let logistics asset in Bracknell's principal established industrial area, for £10.00 million. The two units at Willoughby Road are let until 2024 off significantly lower rents than new stock in the area, giving us good scope for growth from a purchase yield of 5.6%. The opportunity was sourced off market from a UK institution in need of liquidity.

Although we are reviewing options to recycle sale proceeds from 30 Lombard Street, EC3 to enhance the portfolio and replace lost income, we will continue to adopt a selective approach to better assess the risks associated with the current market uncertainty.

Valuation
The external independent valuation of the 33 assets (31 March 2020: 33 assets) within the portfolio by Knight Frank LLP at the end of the period of £438.95 million resulted in a deficit of -3.4%, ahead of the MSCI Monthly Index (All Property) which fell by -4.3%. The material uncertainty clause applied to the 31 March 2020 valuation, in line with RICS recommendations to all valuers at that time, was lifted. The reduction in the valuation was predominantly due to changes to a range of assumptions to reflect the impact of Covid-19 on market conditions, including a limited reduction in rental values. Following the sale of 30 Lombard Street, EC3, the overall portfolio ERV reduced to £31.42 million pa (31 March 2020: £34.91 million), resulting in a 2.1% reduction for those assets held over the period, compared with a 1.7% reduction in the Index.

On a sector basis, our South East office portfolio was hardest hit by Covid-19 valuation assumptions. This sector underperformed the Index primarily due to the valuation reflecting the challenging market environment and increased letting risk, by extending current and future void periods and by adjusting yields outwards. This was particularly the case at Corinthian House, Croydon where the 28.3% valuation deficit resulted from a floor becoming vacant during the period, and a more cautious set of letting assumptions bearing in mind the high proportion of office floors being refurbished. The deficit for this segment of the portfolio was -6.8% relative to the relevant segment of the MSCI Index of -3.3%, and ERV was down 2.3% (Index: -0.7%).

Our industrial and logistics portfolio performed well, benefiting from the letting of 135 Theale Logistics Park, and delivered a surplus of 7.4%, outperforming the relevant sector of the MSCI Index which was unchanged. ERV increased by 0.9% (Index: 0.7%).

The portfolio yield profile increased from 31 March 2020 reflecting these revised assumptions. The topped up initial yield at 30 September 2020 was 5.8% (31 March 2020: 5.2%) with a reversionary yield (fully let at ERV) of 6.7% (31 March 2020: 6.4%). The equivalent yield, which calculates the average yield over time taking into account anticipated capital expenditure and voids, was 6.3% (31 March 2020: 5.7%).

Finance

Rent collection for the year to date is progressing well, with 98.0% of the March quarter rent due either collected or agreed, 97.0% for the June quarter and 92.0% to date for the September quarter. As a result, 96.0% of rent due has so far either been received or agreed for the first nine months of the financial year, as shown in Table 3.

Table 3
Rent collection

Cash collection	Mar 20 quarter current %	Jun 20 quarter current %	Sep 20 quarter current %	**Total 3 quarters current %**
Paid within seven days	62%	71%	69%	**67%**
Paid after seven days	25%	24%	15%	**22%**
Cash received	87%	95%	84%	**89%**
Payment plan agreed monthly – O/S	0%	0%	8%	**3%**
Payment plan agreed – O/S	11%	2%	0%	**4%**
Total received or agreed	98%	97%	92%	**96%**
In discussions	1%	1%	8%	**3%**
No discussions	0%	0%	0%	**0%**
Impaired	1%	2%	0%	**1%**
Total	**100%**	**100%**	**100%**	**100%**
Total demanded1: £m	*5.38*	5.72	5.61	**16.71**

1 Rent due under all lease agreements.

As reported in the accounts for the half year, gross rental income increased by £0.14 million (1.1%) to £12.75 million (30 September 2019: £12.61 million). Although this movement was marginal, letting activity and income from acquisitions offset the loss of income from lease expiries and disposals.

Non-recoverable property costs of £1.62 million (30 September 2019: £1.52 million) were slightly higher, primarily as a result of a rental income and service charge impairment of £0.23 million as a result of non-payment due to Covid-19. This represents a low impairment rate of 1.0%, reflecting our sector mix and strong occupier base. After taking these costs into account, net rental income increased by 1.2% to £11.29 million (30 September 2019: £11.16 million).

Administration costs before IFRS 2 of £2.45 million were 8.6% lower than the comparable period last year (30 September 2019: £2.68 million) mainly due to the receipt of higher management fees from multi-let portfolio properties. The IFRS 2 charge for the period of £0.22 million reflects the accounting requirement to revalue share-based payments at each balance sheet date (30 September 2019: £0.39 million credit).

During the period, development and refurbishment expenditure totalled £1.83 million, acquisitions (including fees) totalled £10.65 million and net sale proceeds (before tax) from the two disposals of £70.80 million were received. Interest payable remained constant at £3.41 million (30 September 2019: £3.34 million). Net debt at the end of the period was £132.91 million (31 March 2020: £191.75 million), which resulted in an LTV at the end of the period of 30.3% (31 March 2020: 37.6%).

After taking these movements into account, adjusted profit before tax, our measure of recurring profit excluding valuation movements, profit on disposal and other one-off items, increased by 3.7% to £5.27 million (30 September 2019: £5.08 million). The IFRS loss before tax was £15.02 million (30 September 2019: £11.17 million profit) mainly as a result of the negative unrealised movement of £17.10 million in the revaluation of investment properties (including IFRS 16 adjustment) over the period compared with a positive movement of £3.90 million at 30 September 2019.

Adjusted earnings per share increased by 3.9% to 5.59 pence (30 September 2019: 5.38 pence). EPRA earnings per share reduced to 5.53 pence (30 September 2019: 5.85 pence), with the reduction due to the impact by the IFRS 2 movement referred to above.

The earnings for the period included a full six months rental income contribution of £1.35 million from 30 Lombard Street, EC3. As the sale of this asset completed in early September 2020 this contribution will not be replicated in the second half of the year, and earnings will be lower until the sale proceeds are recycled into other initiatives, including the acquisition of income producing assets.

The two investment properties sold during the period realised sale proceeds of £70.80 million (net of fees and outstanding tenant letting incentives), representing a 4.1% profit of £2.80 million over book value (31 March 2020). After taking into account the necessary IFRS 16 adjustment, this resulted in a loss on disposals (before tax) of £3.13 million. A tax provision of £1.33 million in respect of the sale of 30 Lombard Street, EC3 was made.

IFRS net asset value reduced by £14.43 million to £294.74 million (31 March 2020: £309.17 million), reflecting the unrealised valuation deficit and the loss on disposals. As a result, EPRA NTA per share reduced by 4.9% to 313 pence (31 March 2020: 329 pence) and the IFRS net asset value per share also reduced by 4.9% to 312 pence (31 March 2020: 328 pence).

The Company’s loan profile remains strong with a total of £245.00 million across two facilities, of which £108.00 million was undrawn at the end of the period. These two facilities consist of a £65.00 million fully drawn term loan fixed until 2030 and a £180.00 million revolving facility to 2024, which provides a reasonable timeframe to work through Covid-19 prior to refinancing.

Dividend
The Board recognises the importance of dividends to shareholders and is pleased to declare an interim dividend of 2.8 pence per share. This maintains the level of dividend paid for the same period last year and will be paid as an ordinary dividend on 4 January 2021.

The dividend policy will remain under review until the economic outlook becomes clearer. We will therefore make our recommendation in respect of any increase in the final dividend at the year end, based on financial results and economic conditions at that time.

Outlook
The outlook remains dominated by the speed at which the Covid-19 pandemic passes and the scale and duration of impact it has on the economy. While we remain in the grip of it, trading conditions and the operating environment will remain challenging, restricting the pace of income and capital growth from our existing portfolio and the recycling of sale proceeds.

With the milestones achieved over the last six months, the Company is in a much stronger position to navigate these challenging conditions, and in due course capitalise on market opportunities, with lower leverage and a high quality portfolio located in resilient markets.

Richard Grainger
Chairman

Statement of Directors' Responsibilities
Six months to 30 September 2020

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; and
- 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 Perkins
Chief Executive Officer

G Salmon
Chief Financial Officer

Identification of business risks
The Group's principal risks and uncertainties are consistent with those noted in the Annual Report for the year ended 31 March 2020 which include compliance with financial covenants on bank borrowing, tenant default, liquidity, interest rate movements on bank borrowing and the ongoing implications of Covid-19. The Directors consider that the significant areas of judgement that have a material effect on the Group's performance are valuation of investment properties and financial instruments. These are unchanged from those identified in the Annual Report for the year ended 31 March 2020.

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 is in full compliance with its borrowing covenants at 30 September 2020 and is expected to be in compliance for the next 12 months.

Independent Review Report to McKay Securities Plc

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 September 2020 which comprises the profit and loss and other comprehensive income statement, the statement of financial position, the cash flow statement, the statement of changes in equity, and related notes 1 to 13. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with International Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report
This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom

Group Profit and Loss and Other Comprehensive Income

Six months to 30 September 2020

	Notes	**6 months to 30 September 2020 (Unaudited) £'000**	6 months to 30 September 2019 (Unaudited) £'000	12 months to 31 March 2020 (Audited) £'000
Gross rents and service charges receivable		**14,570**	**14,572**	**29,296**
Other property income		157	66	69
Direct property outgoings		(3,441)	(3,369)	(7,384)
Net rental income from investment properties	6	**11,286**	**11,269**	**21,981**
Administration costs	5	(2,665)	(2,396)	(5,163)
Operating profit before gains on investment properties		**8,621**	**8,873**	**16,818**
(Loss)/profit on disposal of investment properties		(3,128)	1,725	1,668
Revaluation of investment properties	10	(17,105)	3,904	(2,199)
Operating (loss)/profit		**(11,612)**	**14,502**	**16,287**
Finance costs	8	(3,414)	(3,337)	(6,805)
Finance income	8	8	4	5
(Loss)/profit before taxation		**(15,018)**	**11,169**	**9,487**
Taxation	9	–	(963)	(1,392)
(Loss)/profit for the period		**(15,018)**	**10,206**	**8,095**
Other comprehensive income:				
Items that will not be reclassified subsequently to profit and loss				
Actuarial movement on defined benefit pension scheme		(485)	–	(185)
Total comprehensive (expenses)/income for the period		**(15,503)**	**10,206**	**7,910**
(Loss)/earnings per share	7			
Basic		(15.93)p	10.83p	8.59p
Diluted		(15.93)p	10.79p	8.57p

Adjusted earnings per share figures are shown in note 7.

Group Statement of Financial Position

As at 30 September 2020

		Notes	**As at 30 September 2020 (Unaudited) £'000**	As at 30 September 2019 (Unaudited) £'000	As at 31 March 2020 (Audited) £'000
Non-current assets					
Investment properties	– As reported by valuers	10	438,950	492,140	510,000
	– Adjustment for rents recognised in advance under IFRS 16		(7,087)	(9,482)	(10,637)
	– Assets held for sale		(13,500)	(79,090)	(79,365)
	– Adjustment for grossing up headleases		3,683	4,403	4,403
			422,046	**407,971**	**424,401**
Plant and equipment			132	165	148
Trade and other receivables			6,854	9,482	6,982
Total non-current assets			**429,032**	**417,618**	**431,531**
Current assets					
Trade and other receivables			4,636	3,676	3,200
Assets held for sale			13,500	79,090	83,020
Cash and cash equivalents			4,087	2,692	2,245
Total current assets			**22,223**	**85,458**	**88,465**
Total assets			**451,255**	**503,076**	**519,996**
Current liabilities					
Trade and other payables			(15,088)	(12,734)	(12,433)
Current tax liability		9	(1,392)	–	–
Finance lease liabilities			(229)	(286)	(180)
Liabilities directly associated with assets classified as held for sale			–	–	(1,520)
Total current liabilities			**(16,709)**	**(13,020)**	**(14,133)**
Non-current liabilities					
Loans and other borrowings			(133,888)	(169,058)	(190,505)
Pension fund deficit			(2,462)	(1,988)	(2,097)
Deferred tax liability		9	–	(963)	(1,392)
Finance lease liabilities			(3,454)	(4,118)	(2,703)
Total non-current liabilities			**(139,804)**	**(176,127)**	**(196,697)**
Total liabilities			**(156,513)**	**(189,147)**	**(210,830)**
Net assets			**294,742**	**313,929**	**309,166**
Equity					
Called up share capital			18,868	18,853	18,853
Share premium account			75,541	79,966	75,541
Retained earnings			79,187	75,766	81,531
Revaluation reserve			121,146	139,344	133,241
Total equity			**294,742**	**313,929**	**309,166**
IFRS net asset value per share		12	**312p**	**333p**	**328p**
EPRA NTA/NRV value per share		12	**313p**	**333p**	**329p**

Group Cash Flow Statement

Six months to 30 September 2020

	6 months to 30 September 2020 (Unaudited) £'000	6 months to 30 September 2019 (Unaudited) £'000	12 months to 31 March 2020 (Audited) £'000
Operating activities			
(Loss)/profit before taxation	(15,018)	11,169	8,095
Adjustments for:			
Depreciation	25	24	50
Other non-cash movements	617	(20)	491
Loss/(profit) on sale of investment properties	3,128	(1,725)	(1,668)
Movement in revaluation of investment properties	17,105	(3,904)	2,199
Net finance costs	3,406	3,333	6,800
Cash flow from operations before changes in working capital	**9,263**	**8,877**	**15,967**
(Increase)/decrease in debtors	(2,646)	528	(203)
Increase/(decrease) in creditors	2,806	(3,647)	(2,903)
Cash generated from operations	**9,423**	**5,758**	**12,861**
Interest paid	(2,919)	(2,954)	(6,061)
Interest received	7	4	5
Cash flows from operating activities	**6,511**	**2,808**	**6,805**
Investing activities			
Proceeds from sale of investment properties	70,801	8,072	8,056
Purchase and development of investment properties	(14,077)	(10,741)	(33,395)
Purchase of other fixed assets	(10)	(117)	(126)
Cash flows from investing activities	**56,714**	**(2,786)**	**(25,465)**
Financing activities			
(Decrease)/increase in borrowings	(57,000)	8,000	29,000
Bank facility fees paid	(68)	(2,498)	(2,569)
Headlease liability paid	(167)	(230)	(285)
Equity dividends paid	(4,148)	(6,965)	(9,604)
Cash flows from financing activities	**(61,383)**	**(1,693)**	**16,542**
Net increase/(decrease) in cash and cash equivalents	1,842	(1,671)	(2,118)
Cash and cash equivalents at the beginning of the period	2,245	4,363	4,363
Cash and cash equivalents at end of period	**4,087**	**2,692**	**2,245**

Group Statement of Changes in Equity
Six months to 30 September 2020

	Attributable to equity holders of the Parent Company				
	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2019	**18,825**	**75,541**	**132,625**	**84,092**	**311,083**
Profit for the period	–	–	–	10,206	10,206
Other comprehensive income:					
Transfer surplus on revaluation of properties	–	–	3,904	(3,904)	–
Transfer on disposal of investment properties	–	–	2,815	(2,815)	–
Total comprehensive income in the period	**–**	**–**	**6,719**	**3,487**	**10,206**
Issue of new shares net of costs	28	–	–	(28)	–
Dividends paid in period	–	–	–	(6,965)	(6,965)
Deferred bonus	–	–	–	(429)	(429)
Costs of share-based payments	–	–	–	34	34
At 30 September 2019	**18,853**	**75,541**	**139,344**	**80,191**	**313,929**
Profit for the period	–	–	–	(2,111)	(2,111)
Other comprehensive income:					
Transfer on disposal of investment property	-	–	1	(1)	–
Transfer surplus on revaluation of properties	-	–	(6,104)	6,104	–
Reinvestment on defined benefit pension scheme	–	–	–	(185)	(185)
Total comprehensive income in the period			**(6,103)**	**3,807**	**(2,296)**
Issue of new shares net of costs	–	–	–	–	–
Dividends paid in period	–	–	–	(2,640)	(2,640)
Cost of share-based payments	–	–	–	34	34
Deferred bonus	–	–	–	139	139
At 31 March 2020	**18,853**	**75,541**	**133,241**	**81,531**	**309,166**
(Loss)/profit for the period	–	–	–	(15,018)	(15,018)
Other comprehensive income:					
Transfer on disposal of investment property	–	–	5,010	–	5,010
Transfer surplus on revaluation of properties	–	–	(17,105)	17,105	–
Remeasurement on defined benefit pension scheme	–	–	–	(485)	(485)
Total comprehensive income in the period	**–**	**–**	**(12,095)**	**1,602**	**(10,493)**
Issue of new shares net of costs	15	–	–	(15)	–
Dividends paid in period	–	–	–	(4,148)	(4,148)
Cost of share-based payments	–	–	–	170	170
Deferred bonus	–	–	–	47	47
At 30 September 2020	**18,868**	**75,541**	**121,146**	**79,187**	**294,742**

Notes to the Financial Statements
Six months to 30 September 2020

1 General information
The information for the year ended 31 March 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of the Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) and (3) of the Companies Act 2006.

2 Accounting policies
Basis of preparation
The annual financial statements of McKay Securities Plc ('the Group') are prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union. 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 Group financial statements for the year ended 31 March 2020.

The Board approved the unaudited interim financial statements on 16 November 2020.

3 Alternative Performance Measures
The Group uses a number of Alternative Performance Measures ('APMs') which are not defined or specified within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and allow greater comparability between periods but do not consider them to be a substitute for, or superior to, IFRS measures. For a full description of APMs see page 98 in the 2020 Annual Report and Financial Statements. For September 2020, adjusted profit before tax is in note 4, EPRA earnings per share is in note 7 and EPRA net tangible asset per share is in note 12.

Total property return

	6 months to 30 September 2020 (Unaudited) £'000	6 months to 30 September 2019 (Unaudited) £'000
Valuation (deficit)/surplus	(15,645)	5,060
(Loss)/profit realised on disposal	(3,128)	1,725
Income from investment properties	11,286	11,269
	(7,487)	18,054
Book value	454,595	487,080
Total property return	**-1.6%**	**3.7%**

Debt to portfolio value (LTV)

	30 September 2020 (Unaudited) £'000	31 March 2020 (Audited) £'000
Net debt – bank debt net of cash balances	132,913	191,755
Valuation as reported by external valuers	438,950	510,000
LTV	**30.3%**	**37.6%**

4 Adjusted profit before taxation
The Directors consider adjusted profit before taxation to be an additional informative measure of the ongoing profits from core rental activities before taxation, adjusted as set out below.

	6 months to 30 September 2020 (Unaudited) £'000	6 months to 30 September 2019 (Unaudited) £'000	12 months to 31 March 2020 (Audited) £'000
(Loss)/profit before taxation	(15,018)	11,169	9,487
Deficit/(surplus) movement in valuation of investment properties	17,105	(3,904)	2,199
Other property income	(157)	(66)	(69)
Loss/(profit) on disposal of investment properties	3,128	(1,725)	(1,668)
IFRS 2 adjustment to share-based payments and deferred bonus	216	(395)	(222)
Adjusted profit before taxation	**5,274**	**5,079**	**9,727**

5 Administration costs

	6 months to 30 September 2020 (Unaudited) £'000	6 months to 30 September 2019 (Unaudited) £'000	12 months to 31 March 2020 (Audited) £'000
Administration costs before IFRS 2	(2,450)	(2,791)	(5,385)
IFRS 2 TSR	(169)	(213)	290
IFRS 2 NAV	–	642	–
Deferred bonus	(46)	(34)	(68)
Total IFRS 2	(215)	395	222
Administration costs including IFRS 2	**(2,665)**	**(2,396)**	**(5,163)**

The IFRS 2 charge is calculated by reassessing all current grants each period to assess how many shares are likely to vest. This will then lead to either a charge or a credit to the Group Profit and Loss and Other Comprehensive Income.

6 Net rental income from investment properties

	6 months to 30 September 2020 (Unaudited) £'000	6 months to 30 September 2019 (Unaudited) £'000	12 months to 31 March 2020 (Audited) £'000
Gross rents receivable	11,292	11,458	22,873
IFRS 16 adjustment (spreading of rental incentives)	1,456	1,148	2,291
Gross rental income	**12,748**	**12,606**	**25,164**
Service charges receivable	1,822	1,966	4,132
	14,570	14,572	29,296
Other property income	157	66	69
Direct property outgoings	(3,441)	(3,369)	(7,384)
Net rental income	**11,286**	**11,269**	**21,981**

Rent receivable under the terms of the leases is adjusted, in accordance with IFRS 16, for the effect of any incentives given.

Other property income relates to surrender premiums.

7 Earnings per share

	6 months to 30 September 2020 (Unaudited) pence	6 months to 30 September 2019 (Unaudited) pence	12 months to 31 March 2020 (Audited) pence
Basic (loss)/earnings per share	(15.93)	10.83	8.59
Deficit/(surplus) movement in revaluation of investment properties	18.14	(4.14)	2.33
Other property income	(0.17)	(0.07)	(0.07)
Loss/(profit) on disposal of investment properties	3.32	(1.83)	(1.77)
IFRS 2 share-based payments and deferred bonus	0.23	(0.42)	1.48
Deferred tax	–	1.02	(0.24)
Adjusted earnings per share	**5.59**	**5.39**	**10.32**

Basic earnings per share on ordinary shares is calculated on the loss in the half year of £15,017,944 (30 September 2019: profit £10,206,000 and 31 March 2020: profit £8,095,000) and 94,284,620 (30 September 2019: 94,204,508 and 31 March 2020: 94,234,253) shares, being the weighted average number of ordinary shares in issue during the period.

	6 months to 30 September 2020 (Unaudited) Number of shares	6 months to 30 September 2019 (Unaudited) Number of shares	12 months to 31 March 2020 (Audited) Number of shares
Weighted average number of ordinary shares in issue	94,284,620	94,204,508	94,234,253
Number of shares under option	–	667,348	463,819
Number of shares that would have been issued at fair value	–	(307,788)	(244,272)
Diluted weighted average number of ordinary shares in issue	**94,284,620**	**94,564,068**	**94,453,800**

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

	6 months to 30 September 2020 (Unaudited) Number of shares	6 months to 30 September 2019 (Unaudited) Number of shares	12 months to 31 March 2020 (Audited) Number of shares
Number of shares under option	282,488	–	–

Diluted earnings per share

	6 months to 30 September 2020 (Unaudited) pence	6 months to 30 September 2019 (Unaudited) pence	12 months to 31 March 2020 (Audited) pence
Basic (loss)/earnings per share	(15.93)	10.83	8.59
Effect of dilutive potential ordinary shares under option	(0.00)	(0.04)	(0.02)
	(15.93)	10.79	8.57
Deficit/(surplus) movement in revaluation of investment properties	18.14	(4.14)	2.33
Other property income	(0.17)	(0.07)	(0.07)
Loss/(profit) on disposal of investment properties	3.32	(1.82)	(1.77)
Share-based payments (IFRS 2)	0.23	(0.42)	(0.24)
Deferred tax	–	1.02	1.47
Adjusted diluted earnings per share	**5.59**	**5.37**	**10.29**
Share-based payments (IFRS 2)	(0.23)	0.42	0.24
Surrender premiums	0.17	0.07	0.07
EPRA earnings per share	**5.53**	**5.86**	**10.60**

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 period of 94,284,620 (30 September 2019: 94,564,068 and 31 March 2020: 94,453,800) shares, which takes into account the number of potential ordinary shares under option.

Adjusted earnings per share excludes the after tax effect of loss or profit from the disposal of investment properties, IFRS 2, deferred taxation, other property income, the change in the fair value of derivatives and the movement in revaluation of investment properties. The EPRA measure includes all of these adjustments, except for surrender premiums included in other property income, which are added back.

8 Net finance costs

	6 months to 30 September 2020 (Unaudited) £'000	6 months to 30 September 2019 (Unaudited) £'000	12 months to 31 March 2020 (Audited) £'000
Interest on bank overdraft and loans	2,607	2,688	5,602
Commitment fee	189	266	462
Finance lease interest on leasehold property obligations	167	230	397
Finance arrangement costs	451	380	895
Capitalised interest	–	(227)	(551)
	3,414	**3,337**	**6,805**
Interest receivable	(8)	(4)	(5)
Net finance costs	**3,406**	**3,333**	**6,800**

9 Taxation

There is no taxation charge in the Group Profit and Loss and Other Comprehensive Income Statement. The current corporation tax liability in the Group Statement of Financial Position of £1,392,000 relates to the sale of 30 Lombard Street, London, EC3 which completed on 8 September 2020.

10 Investment properties

	As at 30 September 2020 (Unaudited) £'000	As at 30 September 2019 (Unaudited) £'000	As at 31 March 2020 (Audited) £'000
Valuation			
At 1 April	503,766	478,778	478,778
Additions – purchases and developments	12,595	10,579	33,389
Revaluation (deficit)/surplus	(15,645)	5,060	111
Adjustment for rents recognised in advance under IFRS 16	(1,460)	(1,156)	(2,311)
Disposals	(69,520)	(6,200)	(6,200)
IFRS 16 write off on disposal	5,010	–	–
Headlease adjustment	800	–	–
Amortisation of grossed up headlease liabilities	–	–	(1)
Book value including assets held for sale	**435,546**	**487,061**	**503,766**
Adjustment for grossing up of headlease liabilities	(3,683)	(4,403)	(4,403)
Adjustment for rents recognised in advance under IFRS 16	7,087	9,482	10,637
Valuation as reported by valuers	**438,950**	**492,140**	**510,000**

In accordance with the Group's accounting policy on properties there was an external valuation at 30 September 2020. These valuations, were carried out by Knight Frank LLP. All valuations were carried out in accordance with the Appraisal and Valuation Standards of RICS, on an open market basis.

Included in current assets as assets held for sale is The Planets, Woking, with a value of £13.50 million.

The valuation deficit after adjustment for IFRS 16 is £17,105,000.

11 Dividends

	6 months to 30 September 2020 (Unaudited) £'000	6 months to 30 September 2019 (Unaudited) £'000	12 months to 31 March 2020 (Audited) £'000
Final dividend			
Year ended 31 March 2020	4,148	–	–
Year ended 31 March 2019	–	6,965	6,965
Interim dividend			
Year ended 31 March 2020	–	–	2,639
	4,148	**6,965**	**9,604**

The final dividend of 4.4 pence per share (£4,148,000) for the year ended 31 March 2020 was paid on 23 July 2020.

The Directors have declared an interim dividend of 2.8 pence per share (2019: 2.8 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 2.8 pence per share will be paid as an ordinary dividend. Further REIT information is available on the Company's website.

12 Net asset value per share

In October 2019, EPRA issued new best practice reporting guidelines for Net Asset Value ('NAV') metrics. These recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting the 30 September 2020 position.

EPRA have introduced three new NAV metrics: Net Tangible Assets ('NTA'), Net Reinvestment Value ('NRV') and Net Disposal Value ('NDV'). EPRA NTA is considered to be the most appropriate measure for McKay's operating activity and is now the primary measure of net asset value, replacing EPRA NAV.

	30 September 2020 (Unaudited)		
	Net assets £'000	**Shares '000**	**Per share pence**
Basic	294,742	94,339	312
Number of shares under option	–	282	(1)
Diluted/EPRA NDV	**294,742**	**94,621**	**311**
Deferred taxation	1,392	–	2
EPRA NTA	**296,134**	**94,621**	**313**

	30 September 2019 (Unaudited)		
	Net assets £'000	Shares '000	Per share pence
Basic	313,929	94,264	333
Number of shares under option	–	360	(1)
Diluted/EPRA NDV	**313,929**	**94,624**	**332**
Adjustment for fair value of derivatives	963	–	1
EPRA NTA	**314,892**	**94,624**	**333**

	31 March 2020 (Audited)		
	Net assets £'000	Shares '000	Per share pence
Basic	309,166	94,264	328
Number of shares under option	–	143	(1)
Diluted/EPRA NDV	**309,166**	**94,407**	**327**
Adjustment for fair value of derivatives	1,392	–	2
EPRA NTA	**310,558**	**94,407**	**329**

The table below shows the calculation for each of the three new EPRA metrics compared to those previously reported.

	Current measures			Previous measures	
As at 30 September 2020 (Unaudited)	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000	EPRA NAV £'000	EPRA NNNAV £'000
Equity attributable to ordinary shareholders	**294,742**	**294,742**	**294,742**	**294,742**	**294,742**
Deferred taxation	1,392	1,392	–	1,392	–
Net assets	**296,134**	**296,134**	**294,742**	**296,134**	**294,742**
Diluted shares ('000)	**94,621**	**94,621**	**94,621**	**94,621**	**94,621**
Diluted net assets per share (pence)	**313**	**313**	**311**	**313**	**311**

	Current measures			Previous measures	
As at 31 March 2020 (Audited)	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000	EPRA NAV £'000	EPRA NNNAV £'000
Equity attributable to ordinary shareholders	**309,166**	**309,166**	**309,166**	**309,166**	**309,166**
Deferred taxation	1,392	1,392	–	1,392	–
Net assets	**310,558**	**310,588**	**309,166**	**310,558**	**309,166**
Diluted shares ('000)	**94,407**	**94,407**	**94,407**	**94,407**	**94,407**
Diluted net assets per share (pence)	**329**	**329**	**327**	**329**	**327**

13 Event after balance sheet date
There were no events after the balance sheet date that require disclosure.

Disclaimer
The Interim Report of McKay Securities Plc for the six months to 30 September 2020 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 30 September 2020, it would also be determined in accordance with English law.

Interim Report
The Interim Report is being posted to all shareholders on 27 November 2020. 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 mckaysecurities.plc.uk.