MCKAY SECURITIES PLC
PRELIMINARY RESULTS
7th June 2007

The Directors of McKay Securities PLC announce the results of the Group for the year ended 31st March 2007.

FINANCIAL HIGHLIGHTS

* Profit before tax up 24.9% to £57.46 million (2006 – £46.01 million)
  Adjusted profit before tax up 9.9% to £7.22 million (2006 - £6.57 million) – note 3

* Equity shareholders' funds up 42.2% to £235.99 million (2006 - £165.96 million), equivalent to 515 pence per share (2006 – 364p)

* Net contribution to shareholders' funds of £32.16 million arising from conversion to REIT status on 1st April 2007

* Adjusted net asset value per share up 20.2% to 506p (2006 – 421p) and up 23.7% excluding REIT conversion charge – note 9

* Revaluation gain of £43.55 million; an increase over book value of 14.2% (2006 – 13.4%)

* Final dividend up 8.8% to 7.4 pence per share (2006 – 6.8 pence per share). Total dividend for the year of 11.0 pence per share (2006 – 10.2 pence), up 7.8%

* Diluted adjusted earnings per share up 18.5% to 14.55p (2006 – 12.28p) – note 6

* Weighted average cost of borrowing of 5.8% (2006 – 5.9%)

* Total shareholder return of 40.4% (2006 – 38.2%)

Eric Lloyd, Chairman, commented:
"I am delighted to report, in this sixtieth anniversary year of the Company and in my last Statement as Chairman, a record year of growth for the Group, culminating in the conversion to REIT status. With the benefit of REIT status added to the quality of the portfolio and the opportunities it presents, the Board is confident that the Group will continue to prosper".

For further information please contact:

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Simon Perkins (Managing Director)
Alan Childs (Finance Director)

www.mckaysecurities.plc.uk

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

Ex dividend date	13th June 2007
Record Date for the final dividend	15th June 2007
Report and Financial Statements dispatched to Shareholders with Notice of AGM	26th June 2007
Annual General Meeting to be held at 12 noon at The Royal Thames Yacht Club, 60 Knightsbridge, London SW1	25th July 2007
Final dividend paid	8th August 2007

CHAIRMAN'S STATEMENT

Pre-tax profit for the year to 31st March 2007 amounted to £57.46 million compared with £46.01 million for the same period last year. Adjusted pre-tax profit, excluding non-recurring profit on sales and surrender premiums, revaluation gains and movement in the fair value of interest rate hedging instruments (note 3) increased by 9.9% to £7.22 million (2006 - £6.57 million).

A final dividend of 7.4 pence per ordinary share is recommended by the Board (2006 – 6.8 pence) payable on 8th August 2007 to shareholders on the register at the close of business on 15th June 2007. This takes the total dividend for the year to 11 pence (2006 – 10.2 pence); an increase of 7.8%.

The annual external valuation of the Group's property portfolio at 31st March 2007 totalled £351.27 million resulting in a surplus of £43.55 million; an increase over book value of 14.2% (2006 – 13.4%).

Net asset value per share increased by 151 pence (41.5%) from 364 pence to 515 pence. Of this increase, 70 pence per share represented the net tax benefits arising from the Group's conversion to Real Estate Investment Trust (REIT) status on 1st April 2007. The increase in net asset value per share disregarding conversion to REIT status would have been 22.3%.

Total shareholder return, calculated on share price growth during the year with dividends reinvested at the date of payment, was 40.4% (2006 – 38.2%).

Review of the year

I am delighted to report, in this sixtieth anniversary year of the Company and in my last Statement as Chairman, a record year of growth for the Group, culminating in the conversion to REIT status. The continuing success of our development programme together with a proactive approach to the management of the property portfolio, have contributed to a year of considerable progress. Profit before tax increased by 24.9% to £57.46 million, which included an uplift of £43.55 million (14.2%) in the value of the portfolio at the year end, and a profit over book value of £3.59 million from the successful sale of two properties. Adjusted profit before tax, which excludes these and other non-recurring items, increased by 9.9% to £7.22 million, assisted by growth in gross rental income of £1.54 million to £17.31 million.

Following the Extraordinary General Meeting held on 28th February 2007, the Group elected to become a REIT with effect from 1st April 2007. As a result, corporation tax will no longer be payable on qualifying rental income or gains from disposals, and future valuation increases will not attract a deferred tax charge. The REIT conversion charge is 2% of the valuation of the property portfolio as at 31st March 2007, estimated to be £7.02 million. The benefit of conversion, included in these results, is a net contribution of £32.16 million to shareholders' funds as a result of the write back of £39.18 million of deferred tax. This is equivalent to 70 pence per share, which is a greater benefit than previously anticipated as a result of the increase in the value of the property portfolio. In the future the Group will be required to distribute at least 90% of its income profits to shareholders by way of dividend, and to comply with other requirements of the regime. The level of dividend payable for the year to March 2008 is likely to increase by not less than 30%, as a result of the tax saving on income profits. The REIT structure will continue to allow the Group to operate as a development led investment business, and the advantageous tax structure will assist earnings.

With the benefit of the tax savings on conversion to REIT status together with the valuation surplus and gains on disposals, shareholders' funds have increased by 42.2% from £165.96 million to £235.99 million, equivalent to a net asset value per share at the year end of 515 pence.

In the South East of England, where the majority of the Group's portfolio is located, rents outside London are still at relatively low levels, having suffered as a result of the oversupply of space following the downturn in the technology sector some five years ago. The reduction in the availability of quality buildings to which I referred last year has continued, with the result that we are now seeing signs of rental growth for Grade A buildings across our market area and not just in central London, where rents have again improved. The potential for rental growth has had a positive effect on the value of the Group's properties in a number of areas this year, and the quality of our buildings and their location will ensure that we continue to benefit with improving occupier demand.

Throughout the year we have maintained our policy of selective acquisition of properties with the potential to generate future income and capital growth from development, refurbishment and portfolio management. The property market has continued to be competitive, and there has been no let up in demand from a wide range of investors throughout the year, which has now pushed prices to the point where, in many cases, income returns are less than the cost of debt finance. With uncertainty over interest rates, it is unlikely that prices will continue to benefit from further yield compression as a result of which investment decisions and portfolio performance will become more dependent on rental growth and development skills.

Since my last year end report, two properties have been acquired in new centres and a third adjacent to one of our existing holdings, at a combined cost of £24.30 million; none of the properties were widely marketed. The largest of these in price terms was Corinthian House, Croydon, which is a 44,170 sq. ft office building constructed in the late 1960s, on ground and ten upper floors, close to East Croydon Station and overlooking the major East Croydon regeneration site. The refurbishment of three floors totalling 12,150 sq ft is underway, and there are encouraging signs that rental levels have picked up since the property was acquired. Leases extend for another nine years, at which point there will be considerable scope for a redevelopment of the site for a prime office scheme in an area which is set to improve. Since the year end we have acquired a 60,000 sq ft unit from Yamaha Motors (UK) Ltd on the popular Brooklands Industrial Estate, Weybridge, which is situated close to junction 11 of the south western section of the M25. The building was constructed in 1992 and is in good condition having been used as a head office and distribution facility by the vendor, who has taken a leaseback of part for five years. This leaves 38,000 sq ft of warehouse floor space to be let short term, and thereafter a refurbishment and re-letting of the whole in five years time. In the longer term there may be the potential for redevelopment for higher value uses as found elsewhere on the estate.

Also acquired during the year were two office buildings in Staines known as Watermans Court, totalling 10,770 sq ft, adjacent to our existing holding at Lotus Park, and overlooking the River Thames. This acquisition provides secure income until 2015, with the potential for an increase in rent at the next review in 2010. The management of these two buildings has been integrated with Lotus Park, where completion of the major refurbishment of Lotus 1 (15,190 sq ft) and Lotus 2 (19,600 sq ft) took place last month. The works commenced in September 2006 after the tenant surrendered its leases over these buildings, which comprised two of the four buildings acquired for £27.65 million in July 2005. I am pleased to say that a letting of Lotus 1 has been completed on a 15 year lease with a 10 year term certain at a rent of £425,180 pa to a strong covenant, and this early interest supports our confidence in the property and the improvements made.

Elsewhere within the development programme, the extensive refurbishment of Dacre House, SW1 (17,025 sq ft), was completed at the end of August. At the interim stage I reported considerable tenant interest, which has led to the letting of two of the five office floors and encouragingly, terms have also been agreed in respect of the remaining three floors which are now in solicitors' hands. The rents achieved have exceeded our expectations and highlight the demand for top quality office buildings within central London.

The planning application for the redevelopment of 30/32 Lombard Street EC2 is expected to be considered by the City Corporation later this month and we are hopeful of a positive outcome. This office scheme is an exciting project for the Group, being located in a prime area of the City of London, and if planning consent and other approvals are received on programme, it will be possible to make a start on site around the middle of next year, subject to market conditions remaining favourable.

The contribution to pre-tax profits this year from the sale of investment properties at Chobham and Chancery House, Sutton, was £3.59 million. This represented a substantial increase over book value and generated net sale proceeds of £22.57 million; the combined profit over historical cost was £15.48 million. In both cases we successfully achieved our planning and refurbishment objectives, enabling the release of capital for new investment opportunities.

Board Changes

Having spent the best part of 35 years as Managing Director and latterly as Chairman, and having overseen the period of change and renewal of the executive and non-executive management teams including the retirement of my long standing colleagues, it is now time for me to stand down and I shall be retiring from the Board at the conclusion of this year's Annual General Meeting. I leave the Group in excellent health with an exciting future ahead of it, and I will follow its fortunes with great interest as a shareholder.

I am delighted to say that following the Board's invitation, David Thomas, who joined us in 2005 as a non-executive Director, will take over from me as Chairman. David, who is a chartered accountant with substantial business experience, is well qualified to lead the Board and to encourage Simon Perkins and his highly competent team to even greater heights and in this I have great confidence.

Future Prospects

The substantial growth in property values seen over the last few years now appears to be slowing but while there still remains a wide range of investors in the market, the prospect of a serious downward price adjustment seems unlikely. Performance over the next few years will therefore be more reliant on generating rental growth from development together with good asset management, which are areas where the Group has consistently demonstrated its skills.

As one of fourteen UK REITs so far established, the improvement in the Group's profile is likely to increase awareness from investors as well as from within the property marketplace itself, assisting in the identification of new opportunities for investment. With this benefit added to the quality of the portfolio and the opportunities it presents, the Board is confident that the Group will continue to prosper.

E.S.G. Lloyd
7th June 2007

PROPERTY AND FINANCIAL REVIEW

Portfolio Review

The Group concentrates on developing top quality office and industrial buildings, and undertaking comprehensive refurbishments in established and improving market areas mainly within London and the South East of England. The emphasis on quality in design and construction maximises the chances of securing longer leases to prime tenants and minimises potential future obsolescence. The weighted average lease length within the portfolio is nine years and 55% of all contracted rents are paid by Government tenants or those with the highest Dun and Bradstreet credit rating.

The Group's portfolio consists of 32 properties with a value at 31st March 2007 of £351.27 million (2006 - £303.18 million). The portfolio totals 1.19 million sq ft, of which 74% has been either developed or extensively refurbished by the Group and subsequently held and actively managed for long term growth rather than being traded on. The balance is generally made up of properties acquired with future development potential.

Income

Gross rental income during the year increased by 9.8% to £17.31 million. Net rental income from investment properties, excluding surrender premiums, increased by 11.6% to £16.38 million. A reduction in rents receivable of £770,000 from those properties sold or being refurbished was compensated for by £628,500 of rental income from acquisitions. The increase in rental income was predominantly due to a full year's rental contribution from Wimbledon Gate, SW19 (offices and retail – 58,690 sq ft) and 1 Old Queen Street, SW1 (offices – 21,785 sq ft); the Group's two major development projects completed and let at the end of the last financial year. During the year, the ground floor retail unit at Wimbledon Gate was let on a lease co-terminus with the office floor space, leaving the scheme fully occupied and income producing.

On other previously completed schemes, a letting of the whole of Pegasus Three (offices – 16,400 sq ft) was secured during the year to a good covenant on a 15 year unbroken lease. The contracted rent of £377,635 pa represented an improved rental level for Pegasus Place, where only two floors of Pegasus One, totalling 9,966 sq ft, remain available. At Bartley House, Hook (offices – 21,705 sq ft), the ground floor totalling 10,650 sq ft, which has proved difficult to let due to poor market conditions along the M3 corridor, is now in solicitors' hands as a result of the improving level of demand in that area.

Elsewhere within the portfolio, refurbishment work and landscape improvements at Oakwood Trade Park, Crawley (53,355 sq ft) and the Three Acre and Five Acre Industrial Estates in Folkestone (106,215 sq ft) continue to generate improved rental values on lettings and renewals. The profile of the Folkestone units has also been improved by the opening of a major B&Q outlet on adjacent land.

At the beginning of the year, 12,400 sq ft was let at Chancery House, Sutton (offices – 54,615 sq ft) following the refurbishment of the common areas and vacant office floors. Rents in the building had remained static for some time along with low levels of occupational demand. As these new lettings resulted in only 2,400 sq ft remaining vacant, the decision was taken to market the freehold of the property and a price of £13.33 million was achieved. This compared with a book value of £5.80 million at the time our joint venture partners' 80% interest was acquired in 2004, following which the refurbishment was undertaken and the successful letting programme launched.

During the year, the opportunity was taken to let Paris House, Petersfield (industrial – 50,025 sq ft) on a five year lease at an average rent of £180,500 pa. The planning authority was not prepared to support a residential redevelopment of the property and the letting will allow time to influence planning policies affecting this edge of town centre site, whilst keeping the unit income producing.

At the year end the portfolio's annualised rental income was £18.43 million. The total rental value of the portfolio at current market rents is estimated to be in excess of £21 million.

Development

The major office refurbishments of Dacre House, SW1 (17,025 sq ft) and Lotus 1 (15,190 sq ft) and 2 (19,600 sq ft) Staines made good progress during the year and in both cases generated early letting interest. At Dacre House, having installed a new air conditioning system, surplus plant area was converted into additional office space and the reception and office floors were comprehensively upgraded. These works were completed last September and the marketing campaign has now resulted in the letting of two floors totalling 5,165 sq ft, at a combined contracted rent of £236,000 pa. Both leases were completed close to the year end, since when lettings in respect of the remaining three floors have been put into solicitors' hands. At Lotus 1 and 2, Staines, the works have included new roof coverings and external glazing, the addition of new reception areas, and a complete renewal of internal finishes. This refurbishment was completed in May, but prior to this, terms were agreed in respect of a letting of Lotus 1 to a large international group on a 15 year lease with a tenant break clause at the end of the 10th year at a rent of £425,180 pa. This lease has now completed and there has been an encouraging response to the marketing campaign which is now underway in respect of Lotus 2.

The next major scheme under consideration within the portfolio is the redevelopment of 30/32 Lombard Street EC3 (36,140 sq ft). A planning application was submitted last September and, after productive negotiations regarding the proposed design in the context of one of the City's more sensitive architectural areas, is likely to be considered by the City Corporation later this month with a recommendation for approval. The final design is a striking contemporary office scheme of approximately 60,000 sq ft with traditional materials complementing predominantly glazed facades. Flexible leases have been negotiated with occupiers within the existing building to facilitate an early start.

Valuation

The annual external valuation of the Group's portfolio as at 31st March 2007 was £351.27 million, resulting in a £43.55 million surplus over book value representing an increase of 14.2%. The weight of money, limited stock, and improved prospects for rental growth all combined to reduce further the yields purchasers were prepared to accept, resulting in a steady increase in values during the year. A combination of improved yield and income levels from lettings, management and future reversions produced a strong result, especially from the London properties where demand from investors has been particularly good. The contribution from Dacre House, SW1 and Lotus Park, Staines, which together added £9.36 million, reflects the success of these refurbishment projects. Elsewhere, the value of our recent schemes at Pegasus Place, Crawley, 1 Old Queen Street, SW1 and Wimbledon, SW19 increased by £10.80 million, demonstrating the success of our policy of developing and maintaining buildings of quality, particularly in this market.

Finance

On 1st April 2007 McKay Securities PLC converted to REIT status. The Group will remain tax exempt provided it does not breach the specified REIT conditions. Accordingly, the 2007 accounts include a provision of £7.02 million for the conversion charge, which will be paid in four quarterly instalments beginning in October 2007. The accounts also include the release of £39.18 million of deferred tax, being £24.61 million previously provided for as at 31st March 2006, and £14.57 million charged for 2007.

At 31st March 2007, the Group's net debt was £110.77 million (2006 - £107.94 million) representing 47% of shareholders' funds (2006 – 65%). The reduced level of gearing is due to an increase in shareholders' funds arising predominantly from the release of the deferred tax following the conversion to REIT status and the surplus over book cost on re-valuation of the portfolio. The increase in debt in the year was mainly due to the purchase of Watermans Court, Staines and Corinthian House, Croydon and capital expenditure of £5.54 million incurred in the refurbishments of Lotus Park, Staines and Dacre Street, SW1. After taking into account the contribution from sales of £22.57 million (2006 - £5.55 million), the net cost of investment in the portfolio for the year was £0.94 million (2006 - £36.01 million).

Total banking facilities available to the Group increased during the year by £7 million to £150 million, as a result of the renegotiation of two of the Group's facilities. If fully drawn, balance sheet gearing would increase to 64% (2006 – 86%). The loan to value ratio as at 31st March 2007 was 32% (2006 – 36%). Net cash flow from operating activities was £1.88 million (2006 - £9.15 million).

At the year end, 80% (2006 – 64%) of the Group's facilities had a maturity in excess of 5 years. Short term flexibility is achieved by overdraft and a variety of interest rate periods.

The tax figure for the year appearing in the Income Statement shows a credit of £16.72 million. This can be analysed between current tax of £2.96 million payable, the REIT conversion charge of £7.02 million, a tax credit for the year of £24.61 million due to the reversal of the deferred tax provision which is no longer payable under the REIT regime, and a further credit of £2.09 million representing deferred tax written back on disposals during the year. The current tax charge as a percentage of adjusted profit before tax is 12.1% mainly reflecting the benefit of capital allowances claimed on plant and machinery in the investment portfolio and interest capitalised on developments.

Interest cover, based on adjusted profit before tax plus finance costs as a ratio to finance costs, was 2.0 (2006 – 2.3). The average cost of borrowing for the year was 5.8% (2006 – 5.9%).

The main financial risks to the Group are tenant default, liquidity risk and interest rate risk. Tenant default is monitored using Dun and Bradstreet credit checks for each new tenant, together with ongoing credit checks and strict credit control. Protection against the latter two risks is provided by financial hedging instruments and at the year end £110 million (99% of net debt at the year end) was protected by interest rate swaps with maturities ranging between 2015 and 2020, compared with £80 million (74%) last year. If bank borrowing facilities were fully drawn, cover would be 73% (2006 – 56%). This increase in hedging instruments was considered prudent given the Group's increased borrowing levels and provides strategic protection at competitive levels over the medium to long term. The Group does not hedge account its interest rate derivatives and therefore includes the movement in fair value in the Income Statement.

S.C. Perkins
A.S. Childs
7th June 2007

The summary of the consolidated results of McKay Securities PLC and its subsidiary undertakings (the "Group") for the year ending 31st March 2007 are as follows:

GROUP INCOME STATEMENT
For the year ended 31st March 2007

	Notes	2007 £'000	2006 £'000
Gross rents and service charges receivable		**20,295**	18,353
Surrender premiums received		**101**	3,700
		20,396	22,053
Direct property outgoings		**(3,917)**	(3,684)
Net rental income from investment properties	2	**16,479**	18,369
Administration costs		**(4,008)**	(3,288)
Operating profit before gains on investment properties		**12,471**	15,081
Profit on disposal of investment properties		**3,592**	167
Movement on revaluation of investment properties		**41,967**	35,247
Operating profit		**58,030**	50,495
Finance costs	4	**(1,218)**	(5,344)
Finance income		**116**	50
Share of results of associated undertaking		**527**	807
Profit before taxation		**57,455**	46,008
Taxation - charge for the year	5	**(15,445)**	(12,719)
- REIT conversion	5	**32,164**	-
		16,719	(12,719)
Profit for the year		**74,174**	33,289
Earnings per share	6		
Basic		**162.26p**	73.06p
Diluted		**160.28p**	72.43p

Adjusted earnings per share figures are shown in note 5.

		2007 £'000	2006 £'000
Dividends			
Previous year's final dividend of 6.8p (2006 – 6.2p) paid during the year		**3,101**	2,824
Interim dividend of 3.6p (2006 – 3.4p) paid during the year		**1,648**	1,549
Proposed final dividend of 7.4p (2006 – 6.8p)		**3,389**	3,101

STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the year ended 31st March 2007

	2007	
	Group £'000	**Company £'000**
Actuarial movement on defined benefit pension scheme	**202**	**202**
Net income recognised directly in equity	**202**	**202**
Profit for the year	**74,174**	**86,129**
Total recognised income and expense	**74,376**	**86,331**

	2006	
	Group £'000	Company £'000
Actuarial movement on defined benefit pension scheme	370	370
Related deferred tax	(111)	(111)
Net income recognised directly in equity	259	259
Profit for the year	33,289	26,935
Total recognised income and expense for the year	33,548	27,194
Adoption of IAS 39	285	285
Deferred tax on adoption of IAS 39	(83)	(83)
Total recognised income and expense	33,750	27,396

GROUP BALANCE SHEET
For the year ended 31st March 2007

	Notes	**2007 £'000**	2006 £'000
Non-current assets			
Investment properties		**351,110**	304,687
Plant and equipment		**48**	73
Investments		**6,092**	5,700
		357,250	310,460
Current assets			
Trade and other receivables	7	**9,571**	3,633
Cash and cash equivalents		**703**	1,838
		10,274	5,471
Total assets		**367,524**	315,931
Current liabilities			
Loans and other borrowings	8	**-**	(15,016)
Corporation tax payable	5	**(8,646)**	(274)
Trade and other payables	8	**(6,990)**	(8,260)
		(15,636)	(23,550)
Non-current liabilities			
Loans and other borrowings	8	**(111,139)**	(94,543)
Pension fund liabilities		**(332)**	(701)
Finance lease liabilities		**(4,427)**	(4,469)
Deferred tax		**-**	(26,708)
		(115,898)	(126,421)
Total liabilities		**(131,534)**	(149,971)
Net assets		**235,990**	165,960
Equity			
Called up share capital		**9,159**	9,122
Share premium account		**2,495**	2,208
Capital reserves		**49,502**	36,065
Revaluation reserve		**120,139**	87,599
Retained earnings		**54,695**	30,966
Total Equity		**235,990**	165,960
Net asset value per share	9	**515p**	364p
Adjusted net asset value per share	9	**506p**	421p

GROUP CASH FLOW STATEMENT
For the year ended 31st March 2007

	2007	2006
	£'000	£'000
Operating activities		
Profit before tax	**57,455**	46,008
Adjustments for:		
Depreciation and other non-cash movements	**384**	417
Profit on disposals of investment properties	**(3,592)**	(167)
Movement in revaluation of investment properties	**(41,967)**	(35,247)
Net finance costs	**1,102**	5,294
Share of profit of associate undertaking	**(527)**	(807)
Cash flow from operations before changes in working capital	**12,855**	15,498
Increase in debtors	**(1,398)**	(606)
Increase/(decrease) in creditors	**(1,438)**	1,636
Cash generated from operations	**10,019**	16,528
Interest paid	**(6,375)**	(6,294)
Interest received	**99**	37
Corporation tax paid	**(1,863)**	(1,126)
Cash flows from operating activities	**1,880**	9,145
Investing activities		
Sale of investment properties	**22,572**	5,547
Dividends from sundry investments	**1**	1
Dividends from associated undertaking	**135**	126
Purchase and development of investment properties	**(22,818)**	(39,503)
Purchase of other fixed assets	**(19)**	(52)
Cash flows from investing activities	**(129)**	(33,881)
Financing activities		
Proceeds from issue of share capital	**324**	104
Increase in borrowings	**1,539**	28,572
Equity dividends paid	**(4,749)**	(4,373)
Cash flows from financing activities	**(2,886)**	24,303
Net decrease in cash and cash equivalents	**(1,135)**	(433)
Cash and cash equivalents at the beginning of the year	**1,838**	2,271
Cash and cash equivalents at the end of the year	**703**	1,838

Notes forming part of the Group financial statements

1. The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the year ended 31st March 2007 but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies, and those for 2006 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

   In accordance with Section 230 of the Companies Act 1985 a separate income statement for McKay Securities PLC is not presented. The profit after tax of the Company is £86,129,000 (2006 - £27,855,000).

2. **Net rental income from investment properties**

	2007 £'000	2006 £'000
Gross rents receivable	**15,724**	15,150
SIC 15 adjustment	**1,583**	623
Gross rental income	**17,307**	15,773
Service charges receivable	**2,988**	2,580
	20,295	18,353
Surrender premium received	**101**	3,700
Direct property outgoings	**(3,917)**	(3,684)
	16,479	18,369

The Group engages in only one class of business activity, being property investment and development.

Rent receivable under the terms of the leases is adjusted, in accordance with SIC 15, for the effect of any incentives given.

3. **Adjusted profit before tax**

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

	2007 £'000	2006 £'000
Profit before tax	**57,455**	46,008
Surrender premium received	**(101)**	(3,700)
Change in fair value of derivatives	**(4,206)**	263
Movement in revaluation of investment properties	**(41,967)**	(35,247)

Profit on disposal of investment properties	**(3,592)**	(167)
Associated undertaking disposals and revaluation movement	**(363)**	(588)
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Adjusted profit before tax	**7,220**	6,569
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4. **Finance costs**

	2007	2006
	£'000	£'000
Interest on bank overdraft and loans	**5,943**	5,930
Finance lease interest on leasehold property obligations	**287**	289
Finance arrangement costs	**41**	15
Other interest	**-**	8
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	6,271	6,242
Capitalised interest	**(847)**	(1,161)
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	5,424	5,081
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Fair value (gains) / losses on derivatives	**(4,206)**	263
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	1,218	5,344
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5. **Taxation**

	2007	2006
	£'000	£'000
Analysis of charge in period:		
Current tax:		
UK corporation tax on profits for the period	**3,344**	712
Adjustments in respect of prior periods	**(380)**	-
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	2,964	712
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Deferred tax:		
Origination and reversal of temporary differences	**1,984**	1,178
On property valuation surpluses	**12,590**	10,829
Released on property disposals during the year	**(2,093)**	-
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	12,481	12,007
	---------	--------
	15,445	12,719
	---------	--------
REIT conversion charge	**7,025**	-
Deferred tax released on conversion to REIT status	**(39,189)**	-
	---------	--------
Total tax (credit) / charge in the income statement	**(16,719)**	12,719
	---------	--------

Reconciliation to effective rate of tax:

	2007	2006
Profit on ordinary activities before tax	**57,455**	46,008
	---------	---------
Tax on profit at 30% (2006 – 30%)	**17,237**	13,802
Effects of:		
REIT conversion charge	**7,025**	-
Deferred tax released on conversion to REIT status	**(39,189)**	-
Permanent timing differences	**(35)**	11
Associated company	**(158)**	(242)
Sales of investment properties	**(1,219)**	(79)
Movement on revaluation of investment properties	**-**	(773)
Adjustment to tax charge in respect of prior years	**(380)**	-
	--------	--------
Tax (credit) / charge for period (as above)	**(16,719)**	12,719
	--------	--------

Factors affecting future tax rate:
McKay Securities PLC converted to Real Estate Investment Trust (REIT) on 1st April 2007 and no corporation tax is expected to become payable on future income or capital gains.

The current Group corporation tax of £8,646,000 (2006 - £274,000) represents the tax payable for current and prior periods and the REIT conversion charge provided in the period, less payments made.

6. **Earnings per share**

	2007	2006
	p	p
Earnings per share	**162.26**	73.06
Deferred tax on capital allowances	**0.83**	2.12
Surrender premium received	**(0.15)**	(8.12)
Change in fair value of derivatives	**(9.20)**	0.59
Movement in revaluation of investment properties	**(64.27)**	(53.59)
Profit on disposal of investment properties after taxation	**(7.08)**	(0.37)
Associated undertaking disposals and revaluation movement	**(0.81)**	(1.29)
REIT entry charge	**15.37**	-
Write back of deferred tax provision	**(82.22)**	-
	--------	--------
Adjusted earnings per share	**14.73**	12.40
	--------	--------

Earnings per share on ordinary shares are based on earnings after tax of £74,174,000 (2006 - £33,289,000) and 45,711,784 (2006 – 45,561,331) shares, being the weighted average number of ordinary shares in issue during the period.

Reconciliation of earnings per share to diluted earnings per share:

	Number of shares	**EPS 2007 p**	EPS 2006 p
Weighted number of ordinary shares in issue	45,711,784	**162.26**	73.06
Number of shares under option	1,445,442	**(4.97)**	(2.27)
Number of shares that would have been issued at fair value	(879,580)	**2.99**	1.64
	46,277,646	**160.28**	72.43

	2007 p	2006 p
Diluted earnings per share	**160.28**	72.43
Deferred tax on capital allowances	**0.82**	2.10
Surrender premiums received	**(0.15)**	(8.05)
Change in fair value of derivatives	**(9.09)**	0.56
Movement in revaluation of investment properties	**(63.48)**	(53.12)
Profit on disposal of investment properties after taxation	**(6.99)**	(0.36)
Associated undertaking disposals and revaluation movement	**(0.80)**	(1.28)
REIT entry charge	**15.18**	-
Write back of deferred tax provision	**(81.22)**	-
Adjusted diluted earnings per share	**14.55**	12.28

Diluted earnings per share are based on the same earnings after tax and on the weighted average number of shares in issue during the year of 46,277,646 (2006 – 45,962,697) 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, surrender premiums received, 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 and investment properties, where no tax payment is expected to crystallize. The 2007 earnings per share is further adjusted for the write back of deferred tax provision on entry into the REIT regime less the entry charge.

7. **Trade and other receivables**

	2007		2006	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Rents receivable	**8**	**6**	221	23
Amounts due from subsidiary undertakings	**-**	**21,884**	-	12,903
SIC 15 lease incentives	**4,279**	**4,235**	2,695	2,652
Interest rate derivatives	**4,228**	**4,228**	22	22
Other debtors and prepayments	**1,056**	**577**	695	280
	9,571	**30,930**	3,633	15,880

All the above debtors are receivable within one year except for lease incentives of £3,998,000 (2006 - £2,443,000), accrued in accordance with SIC 15.

8. **Liabilities**

	2007		2006	
	Group	**Company**	Group	Company
Loans and other borrowings	**£'000**	**£'000**	£'000	£'000
Bank loans	**111,490**	**111,490**	109,765	103,415
Loan notes	**-**	**-**	13	13
Bank facility fees	**(351)**	**(351)**	(219)	(219)
	111,139	**111,139**	109,559	103,209
Analysed as follows:				
Current liabilities	**-**	**-**	15,016	14,616
Non-current liabilities	**111,139**	**111,139**	94,543	88,593
	111,139	**111,139**	109,559	103,209
Trade and other payables				
Rent received in advance	**3,528**	**2,617**	3,271	2,392
Other taxation and social security costs	**255**	**255**	848	848
Amounts owed to subsidiary undertakings	**-**	**6,338**	-	26,495
Other creditors and accruals	**3,207**	**2,237**	4,141	2,700
	6,990	**11,447**	8,260	32,435

The analysis of unsecured loan notes and short term loans, and bank loans which are secured on certain of the freehold and leasehold properties of the Group is as follows:

	2007	2006
	£'000	£'000
Company		
Secured bank loans repayable at stated dates between 2011 and 2017 at variable rates	**111,490**	103,415
Unsecured loan notes	**-**	13
Bank facility fees	**(351)**	(219)
	-----------	----------
	111,139	103,209
Subsidiary undertakings		
Secured bank loans	**-**	6,350
	-----------	----------
	111,139	109,559
	-----------	----------

The bank loans are secured against land and buildings with a carrying amount of £289,330,000 (2006 - £217,246,000).

	2007		2006	
Repayable in:	**Group**	**Company**	Group	Company
	£'000	**£,000**	£'000	£'000
Less than 1 year	**-**	**-**	15,016	14,616
1-2 years	**-**	**-**	5,928	(22)
2-5 years	**20,000**	**20,000**	24,334	24,334
5-10 years	**91,139**	**91,139**	48,281	48,281
More than 10 years	**-**	**-**	16,000	16,000
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	111,139	**111,139**	109,559	103,209
	----------	**----------**	----------	----------

Borrowing facilities

The Group has various undrawn committed borrowing facilities. The facilities available in respect of which all conditions precedent had been met were as follows:

	2007	2006
	£'000	£'000
Expiring in less than 1 year	**-**	-
Expiring in 1 - 2 years	**-**	-
Expiring in 2 - 5 years	**10,000**	5,600
Expiring in 5 - 10 years	**28,510**	23,610
Expiring in more than 10 years	**-**	4,000
	---------	---------
	38,510	33,210
	--------	--------

Exposure to credit and interest rate risks arise in the normal course of the Group's business. Derivative financial instruments are used to reduce exposure to interest rate fluctuations.

There are no material unrecognised gains and losses on instruments used for hedging.

Credit risk
Credit evaluations are performed on all tenants looking to enter into a lease or pre-lease agreements with the Group. In certain cases the Group will require collateral to support these lease obligations. These might be in the form of cash rental security deposits, bank rental guarantee or a parent company guarantee.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset including derivative financial instruments on the balance sheet.

The group has no exposure to currency risks.

Hedging
The Group adopts a policy of ensuring that its exposure to interest rate fluctuations is mitigated by the use of financial instruments. Participating swaps and interest rate swaps have been entered into to achieve this purpose. The swaps mature over the next 14 years, matching the maturity of the related loans and have swap rates ranging from 3.99% to 5.07% and collars ranging from 2.49% to 5.07%. The Group does not hold or issue derivative financial instruments for trading purposes.

Swaps for Group and Company

As at 31st March 2007	Hedged amount £'000	Average rate	Average maturity - years	Fair value £'000	Fair value adjustment £'000
Interest rate swaps	**70,000**	**4.60%**	**11.30**	**(2,122)**	**3,294**
Interest rate caps	**40,000**	**4.97%**	**10.47**	**(2,213)**	**741**
Interest rate floors	**40,000**	**2.98%**	**10.47**	**107**	**171**
				--------	--------
				(4,228)	**4,206**
				--------	--------

As at 31st March 2006	Hedged Amount £'000	Average rate	Average maturity - years	Fair value £'000	Fair value adjustment £'000
Interest rate swaps	40,000	5.01%	10.41	1,172	(1,172)
Interest rate caps	40,000	5.01%	10.41	(1,472)	1,472
Interest rate floors	40,000	2.80%	10.41	278	(278)
				--------	--------
				(22)	22
				--------	--------

In both 2007 and 2006 there was no difference between the book value and the fair value of all the other financial assets and liabilities of the Group and Company.

Set out below is the interest rate profile of the Group after taking into account the interest rate hedging instruments:

	2007 **£'000**	2006 £'000
Fixed rate	**-**	6,350
Floating rate	**1,138**	23,209
Hedged	**110,000**	80,000
	111,138	109,559
Weighted average cost of borrowing	**5.8%**	5.9%

The Group does not hedge account its interest rate derivatives and therefore states them at fair value in the income statement.

The Group has no liabilities at maturity on the above financial instruments. The above fair values are based on quotations from the Group's banks.

9. Net asset value per share

	2007			2006		
	Net Asset £'000	**Shares £'000**	**Net asset value per share p**	Net Assets £'000	Shares £'000	Net asset Value per share P
Basic	**235,990**	**45,793**	**515**	165,960	45,609	364
Deferred tax on capital allowances	**-**	**-**	**-**	6,308	-	14
Deferred tax on revaluation	**-**	**-**	**-**	19,600	-	43
Adjustment to fair value of derivatives	**(4,228)**	**-**	**(9)**	(15)	-	-
Adjusted	**231,762**	**45,793**	**506**	191,853	45,609	421
Number of shares under option	**3,874**	**1,553**	**(8)**	3,104	1,479	(7)
Adjusted diluted	**235,636**	**47,346**	**498**	194,957	47,088	414

The net asset value per share at 31st March 2007 disregarding the tax effects on conversion to REIT status would have been 445 pence.

10. The Report and Financial Statements will be posted to shareholders on 26th June 2007 with copies available from the Group's registered office at 20 Greyfriars Road, Reading, RG1 1NL from the same date, and from the Group's website www.mckaysecurities.plc.uk