McKay Securities PLC

Report and Financial Statements

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Contents

Financial Highlights	2003 **£'000**	2002 £'000
Profit before taxation	**8,402**	6,836
Profit after taxation	**6,427**	5,151
Ordinary dividends	**3,892**	3,143
Equity shareholders' funds	**119,424**	133,458
Earnings per share – diluted	**14.20p**	11.44p
– basic	**14.90p**	13.28p
Operating earnings per share – diluted	**11.05p**	9.33p
– basic	**11.60p**	10.83p
Dividend per share	**8.6p**	8.1p
Net asset value per share	**264p**	297p
(Deficit)/surplus on revaluation	**(5,940)**	8,005

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

The Group, which has a portfolio value of over £201 million, does not trade or deal in its properties and therefore there is a hardcore rental stream underpinning profits growth which is further secured from time to time by the sale of investment properties. This policy has rewarded shareholders with above average growth in capital value, earnings and dividend distributions over many years.

McKay Securities PLC
Chairman's Statement

CRAWLEY
PEGASUS PLACE
4,717 SQ.M. OFFICES

Pre-tax profits for the year to 31st March 2003 increased to £8,402,000, compared with £6,836,000 for the same period last year. At operating level, pre-tax profit after interest and excluding profit on the disposal of investment properties, increased to £6,647,000 from £5,617,000.

A final dividend of 5.7 pence per ordinary share is being recommended by the Directors (2002 - 5.4 pence), payable on 15th August 2003 to shareholders on the register at 27th June 2003. This takes the total ordinary dividend for the year to 8.6 pence (2002 - 8.1 pence); an increase of 6.2%. In addition, a special dividend of 22 pence per share was paid on 16th August 2002.

The year end valuation of the Group's property portfolio, which excludes those properties in the course of development, has resulted in a decrease of 2.6%, after adjusting for acquisitions and disposals during the year. After allowing for the retention of capital and revenue profits and payment of the final dividend, net asset value per share has reduced to 264 pence compared with 275 pence at the previous year end, adjusted for the 22 pence per share special dividend.

Review of the year

The 23% increase in profit at pre-tax level highlights a good year for the Group, reflecting income contributions from completed developments and recent acquisitions, and profit from successful property sales.

Gross rents receivable increased to £13 million from £12.2 million, benefiting from rent reviews and the receipt of a full year's rent at Great Brighams Mead, Reading (offices - 7,740 sq m). In addition there have been several lettings at Newminster House, Bristol (offices - 2,662 sq m) since the introduction of a flexible leasing policy, and take up of half of the refurbished Coombe Square, Thatcham (offices - 1,581 sq m). At the McKay Trading Estate, Bicester, external works have considerably improved the appearance of the estate, contributing to the letting of 3 units totalling 1,766 sq m.

At Pegasus Place, located between Gatwick Airport and Crawley town centre, a twenty year lease of Pegasus Two (offices - 1,183 sq m) was completed just before Christmas at an initial rent of £172,000 pa rising to £295,000 pa in December 2004. Marketing of Pegasus One (offices - 1,980 sq m) and Pegasus Three

CRAWLEY
PEGASUS PLACE
4,717 SQ.M. OFFICES

BRISTOL
NEWMINSTER HOUSE
2,662 SQ.M. OFFICES

(offices - 1,554 sq m) continues, along with other properties, including Bartley House, Hook (offices - 2,050 sq m) and Albion House, Newbury (offices - 595 sq m). When let, these will add a further £1.3 million pa in rent and will reduce void costs.

Our investment at Crawley has been increased with the acquisition just before the year end of the Oakwood Industrial Estate, which adjoins the northern boundary of Pegasus Place, and consists of 16 fully let units totalling 4,517 sq m. In the longer term the 2.7 acre acquisition has the potential for office redevelopment to complement Pegasus Place, but in the meantime adds another good quality, well located industrial estate to the portfolio, with scope to improve rental values.

Sales of properties during the year, which achieved £9.1 million, included the sale of Farnham Common (690 sq m offices and 6 shop units), the five remaining small shop units at Yateley, our holding at Bridge Wharf, Chertsey (industrial - 3,756 sq m) and the freehold ground rent investment at Parkside (50 flats) London, SW1. Of the £1.7 million total profit achieved, £1.3 million was attributable to the sale of Bridge Wharf, Chertsey where the inherent value of

BICESTER
McKAY TRADING ESTATE
8,147 SQ.M. WAREHOUSE / OFFICES

the site was unlocked by working in partnership with adjoining owners to achieve an overall outline planning consent for residential development.
At Parkside, leases have been retained on three flats and the Group's London office.

Chairman's Statement

POYLE
McKAY TRADING ESTATE
6,712 SQ.M. WAREHOUSE / OFFICES

The valuation of the Group's investment portfolio was £201.5 million, resulting in a book value deficit of £5.4 million (2.6%) over the year, after taking into account acquisitions and disposals. This reduction has come mainly from our City and West End properties, which make up approximately 20% of the portfolio by value. Their valuations have been adversely affected by reduced rental assumptions, reflecting poor demand in these markets at present. However, they all have the potential to add value over time through refurbishment and development, and will benefit from future market improvements. Elsewhere a number of properties increased in value; in particular at Poyle, where the demand for commercial estates in close proximity to Heathrow continues to increase, at Strawberry Hill House, Newbury, following the agreement of a rent review, and at Pegasus Place, Crawley, which showed a valuation surplus over cost.

Over the past year, the development programme has been limited to Pegasus Place. We have continued to work up detailed schemes for Worple Road, Wimbledon (4,939 sq m offices, 396 sq m retail) and 1 Old Queen Street, London, SW1 (offices - 1,909 sq m), together with a number of smaller projects. In the longer term, the programme includes the redevelopment of 32 Lombard Street, London, EC1 (5,007 sq m), and the refurbishment of Portsoken House, London, EC3 (3,870 sq m offices, 534 sq m retail).

At Wimbledon, planning consent for an additional floor has now been received and construction will start at the beginning of July. This scheme, which is to be known as Wimbledon Gate, is located in the town centre, and will offer high quality office accommodation. Given present market conditions, no decision has yet been made to commence the development at 1 Old Queen Street.

Sale proceeds have assisted cash flow, which remains strong. At the year end, borrowings stood at £75.7 million representing 63.4% of shareholders' funds. Bank facilities available to the Group total £103 million, generally at floating rates. This financing policy has worked well as interest rates have fallen, but with rates now at historically low levels, the opportunity has been taken to cap the Group's exposure to future increases in rates on £45 million of borrowing.

Board and management changes

As I reported to shareholders in my half year statement, Eric Lloyd retired as Managing Director in mid-January 2003 after more than 30 years. I would like to pay a special tribute to the outstanding and loyal service that Eric has given over so many years.

When Eric took over as Managing Director on 1st April 1972, shareholders' funds stood at £3.1 million, the total value of the portfolio was £5.5 million and pre tax profit was £176,000. The comparable figures for this year are shareholders' funds of £119.4 million, portfolio value of £201.5 million and profit before tax of £8.4 million, with the only fresh equity introduced in July 1980 when £3.85 million was raised by way of a rights issue.

I am sure shareholders will agree with me that these figures are extremely impressive, and I believe that a very large share of the credit for the Group's outstanding record of progress over the past 30 years is due to Eric. In his quiet and unassuming way, he will no doubt claim that the growth has been due to the efforts of a committed team of directors and employees, of which he has merely been one. The team effort has indeed been an important factor, but this record could not have been achieved without Eric's dedicated and shrewd leadership. On your behalf, and on behalf of the Board, I express my thanks for all that he has achieved.

This will be my last Annual Statement as Chairman. After nearly 17 years of service, I feel that it is now time for me to hand over and I will be stepping down at the conclusion of this year's Annual General Meeting. As already mentioned in the half year report, I will be succeeded by Eric Lloyd and, at the invitation of the Board, will remain as a non-executive Director.


P A C E

McKay Securities PLC
Chairman’s Statement

WIMBLEDON
WIMBLEDON GATE
5,335 SQ.M. OFFICES / RETAIL

LONDON
1 OLD QUEEN STREET
1,909 SQ.M. OFFICES

Future prospects

Recent world events and static economies in this country and elsewhere have undermined business confidence, which in turn has resulted in a depressed rental market. We need to see confidence return before the property sector benefits from sustained growth once again. Over the last year we have not invested heavily in new properties, either through acquisition or development, but have continued to release value from the portfolio through proactive management and selective disposals. Our void and development exposure is limited, around 40% of Group income is secured on leases in excess of 10 years and balance sheet gearing remains conservative.

This leaves us well placed to make acquisitions in the market as pricing realigns with the lower rental levels now being seen and to progress the Wimbledon Gate scheme, whilst continuing to generate value from the existing portfolio and through disposals.

With the appointment of Simon Perkins as Managing Director in mid-January 2003 and other changes at senior level, and the continuity that has come with the careful planning of the management changes over the past two years, I believe that the Company will continue to produce excellent results for shareholders.

I. A. McKay Chairman
16th June 2003

Directors

I. A. McKay
Chairman

Aged 64. Appointed a non-executive Director in 1968. Appointed non-executive Chairman in 1986. Director of Farringdon Property Trust Limited and Ronnoco Export Development Company Limited. Chairman of the Audit and Remuneration Committees.

S. C. Perkins M.R.I.C.S.
Managing Director

Aged 38. Joined the Company in 2000. Appointed a Director in April 2001. Appointed Deputy Managing Director in October 2001 and Managing Director in January 2003.

A. S. Childs
Finance Director

Aged 53. Joined the Company in 1973. Appointed Company Secretary in 1987 and a Director in 1996. Responsible for Group finance.

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

Aged 35. Joined the Company in 2001. Appointed a Director in August 2002. Responsible for portfolio management and lettings.

E. S. G. Lloyd F.C.A.
Non-executive Deputy Chairman

Aged 64. Managing Director from 1972 until becoming non-executive Deputy Chairman in January 2003. Chartered Accountant. Member of the Audit and Remuneration Committees.

J. R. Chilton
Non-executive

Aged 62. Joined the Company in 1968. Appointed an executive Director in 1973. Responsible for portfolio management and lettings until October 2001, when he became a non-executive Director. Member of the Audit and Remuneration Committees.

M. J. C. Hawkes F.R.I.C.S.
Senior non-executive

Aged 57. Appointed a non-executive Director in 1986. Chartered Surveyor and Director of Capital and Continental SARL. Member of the Audit and Remuneration Committees.

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

Aged 63. Appointed a non-executive Director in 1989. Chartered Accountant, Director of Poles Limited. Member of the Audit and Remuneration Committees.

Report of the Directors

The Directors have pleasure in submitting their report and audited financial statements for the year ended 31st March 2003.

Profit and distribution

The profit for the year and appropriations are set out in the consolidated profit and loss account. Profit before tax was £8,402,486 (2002 - £6,835,906). The Directors recommend a final dividend of 5.7p per share making a total for the year of 8.6p per share (2002 - 8.1p). If approved at the Annual General Meeting the dividend will be paid on 15th August 2003.

A special dividend of 22 pence per share was paid to the holders of the issued ordinary and capital shares in the Company on 16th August 2002. The effect of this was to reduce net asset value per share by the same amount.

Activity and assets

The business of the Group is that of property investment and development principally in the United Kingdom. The Group also holds various investments in other companies and details of these are shown in the notes to the financial statements.

A review of the business and likely future developments is given in the Chairman's Statement on pages 2 to 6.

The Group's properties were valued by external professional valuers at 31st March 2003. The overall deficit in value as at 31st March 2003 was £5,359,374, equal to 2.6%, which has been debited to Revaluation Reserve in the financial statements. The (decrease)/increase in values for the year is accounted for as follows:

Office/retail	(3.8%)
Industrial	4.1%

After taking into account retained profits and dividends, net asset value per share is 264 pence (2002 - 297 pence).

Following the approval of shareholders at the Extraordinary General Meeting held on 30th July 2002, the capital shares were converted into ordinary shares. As a result of the conversion, the issued share capital of the Company became 45,255,555 ordinary shares of 20 pence each.

As a consequence of certain resolutions not being passed at the Extraordinary General Meeting held on 30th July 2002, Members of the McKay and Chilton families were required by The Panel on Takeovers and Mergers to sell down 1,070,787 ordinary shares pursuant to the Circular dated 26th June 2002. The sell down was successfully completed on 27th March 2003.

Directors

The present members of the board, are shown on page 7. Mr E.S.G. Lloyd retired as an executive Director on 15th January 2003, but remains on the board as a non executive Director and Deputy Chairman.

In accordance with the Articles of Association Mr S.C. Perkins, Mr S.R. Mew and Mr M.J.C. Hawkes are to retire, and being eligible, offer themselves for re-election.
In accordance with the Combined Code, it is the Company's policy that each Director must apply for re-election once every three years.

Directors (continued)

Apart from service contracts and share options relating to Mr S.C. Perkins, Mr A.S. Childs and Mr S.R. Mew, no other Director had a material business interest during the year in any contract with the Company. The unexpired period of these service contracts is two years in respect of Mr S.C. Perkins, Mr A.S. Childs and Mr S.R Mew. Whilst this does not comply with provision B.3.3 of The Combined Code, the Remuneration Committee considers that notice periods of two years are in the best interests and appropriate for the size of the Company.

Substantial shareholdings

Apart from the Directors' interests referred to in note 5 the Company has been advised of the following notifiable interests in its issued share capital (see note 17) as at 16th June 2003:

	Shares	%
Aviva plc	9,701,278	21.44
Farringdon Property Trust Limited	5,327,903	11.77
The William Pears Group of Companies Limited	3,134,000	6.93
The G.F. McKay Trust	2,782,534	6.15
Schroder Investment Management Limited	2,104,038	4.65

Corporate governance

The Board considers that the Company has complied throughout the year with the provisions of The Combined Code with the exceptions as stated within the Directors' Report and the Directors' Remuneration Report.

The Board of Directors comprises three executive and five non-executive Directors with Mr M.J.C. Hawkes being the senior independent non-executive Director. It meets regularly at least six times a year and all Board members have access to the advice and services of the Company Secretary and independent legal advice at the Company's expense, if required. A schedule of matters specifically reserved for the Board has been adopted. The five non-executive Directors sit on the Remuneration and Audit Committees.

The entire Board acts as the Nominations Committee and is responsible for the selection and approval of candidates for appointment to the Board. Whilst this does not comply with provision A.5.1 of the Combined Code, the Directors consider this to be appropriate for the small size of the Board.

The Board is of the opinion that Mr M.J.C. Hawkes and Mr I.C. Menzies are independent non-executive Directors and fulfil the recommended role.

Relations with shareholders

The Annual General Meeting provides an opportunity for shareholders, particularly private investors, to question the board and shareholders are given not less than 21 working days notice of the Annual General Meeting. The Chairman of the Audit Committee and the Remuneration Committee will be at the Annual General Meeting to answer any questions. Shareholders are given the opportunity of voting separately on each proposal and proxy votes are announced after each resolution.

Internal control

The Board is responsible for establishing and reviewing the Group's system of internal control to safeguard shareholders' investment and the Group's assets.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group was in place throughout the year to 31st March 2003 and up to the date of approval of the annual report and accounts. The process accords with the Turnbull Guidance. The executive Directors and senior management meet monthly and are responsible for identifying key risks and assessing their likelihood to impact on the Group. The Group has an established system of internal financial control which is designed to ensure the maintenance of proper accounting records and the reliability of financial information used within the business. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and, can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control includes:

Financial Reporting

Annual and long term revenue, cash flow and capital forecasts are updated regularly during the year. Results and forecasts are reviewed against budgets and regular reports are made to the Board on all financial and treasury matters.

Investment Appraisal

Control of capital expenditure and progress on developments and all property acquisitions and disposals including detailed appraisals, sensitivity analyses and due diligence requirements are presented to the Board.

Controls

The Group has a small management team operating from one location. Accordingly, the Board exercises close control over the Group's activities and this enables the close involvement of the executive Directors with the day to day operational matters of the Company.

Audit Committee

An Audit Committee reviews half-yearly internal management reports and external auditors' reports and approves published financial information.

Identification of Business Risks

The risks facing the Group are kept under constant review. Important areas including risk management, corporate taxation, legal matters, detailed insurance cover and contracts including maintenance and property management come under the direct control of the executive Directors and are reviewed on an on-going basis. All matters are reported to the Board on a regular basis.

Health and Safety

The Group operates and continually reviews its health and safety policy, which includes the Disability Discrimination Act and asbestos related condsiderations, and ensures that current and proposed legislative changes are incorporated to ensure that appropriate safety standards are maintained.

The Directors confirm they have specifically reviewed the framework and effectiveness of the system of internal control for the year ended 31st March 2003.

Financial instruments

The Group's financial instruments comprise borrowings, some cash in liquid resources and various items such as trade debtors, trade creditors etc., that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest and liquidity risks. The Board reviews and agrees policies for management of these risks and they are summarised below. The policies remain under constant review. The Group finances it's operations through a mixture of retained profits, sales of investment properties and bank borrowings. The Group's policy is to borrow at both fixed and floating rates of interest and considers these and interest rate swaps to generate the desired interest rate profile in order to manage the Group's exposure to interest rate fluctuations. At the year end, 31% of the Group's facilities was either at fixed rates or hedged. At the same date, the weighted average cost of borrowing was 5.46%.

In order to reduce the risk to interest rate fluctuations and to take advantage of the current low interest rate environment the Group entered into a 9 year Participating Swap for a principal sum of £25 million, where the cap rate was 5.25% with a floor of 3%. This type of instrument allows the Group to benefit from the present low interest rates whilst providing a good level of protection against the possibility of future interest rate rises. At the year end the fair value adjustment figure arising from this hedging instrument was a negative £354,000.

Since the year end the Group has entered into a further 12 year Participating Swap for a principal sum of £20 million, where the cap rate is 5.07% with a floor of 2.95%.

In order to maintain liquidity and to ensure continuity of funding, the Group is extending the maturity of its borrowings. At the year end, 54% of the Group's facilities was due to mature in more than five years. Short term flexibility is achieved by overdraft facilities and rollover profile. During the year, the opportunity was taken to review the Group's bank facilities, as a result of which an existing 5 year facility of £17 million was replaced with a new 10 year facility of £27 million. In addition, a new 15 year bank facility for £20 million was put in place.

The Group has no financial assets, other than short term debtors and cash at bank and no foreign currency loans.

The details of the Group's financial liabilities are set out in Note 15 on pages 35 and 36.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Report of the Directors

Directors' responsibilities for the financial statements

Directors are required by Company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that year. In preparing the financial statements, the Directors consider that appropriate accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed (subject to any material departures disclosed and explained in the financial statements) and the financial statements have been prepared on the going concern basis as it is appropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Payments policy

It is the policy of the Group that in the absence of dispute, amounts due to trade and other suppliers are settled promptly within their terms of payment. The Group does not follow any code or standard in payment practice. At the year end amounts owed to trade creditors in the accounts were equivalent to 10 days purchases.

Donations

During the year the Group made charitable donations of £11,833 (2002 – £4,011).
No political donations were made during the year (2002 – nil).

Power to allot shares

At the forthcoming Annual General Meeting a resolution will be proposed to renew the authority on the same terms as approved at the Annual General Meeting held on 30th July 2002 for the board to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) and to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) for cash otherwise than pro rata to existing shareholders.
The full text of the resolutions is contained in the Notice to the Annual General Meeting.

Annual General Meeting

The fifty-seventh Annual General Meeting of the Company will be held at 20 Parkside, 28-56 Knightsbridge London SW1X 7JW on 29th July 2003 at 12.00 noon.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution concerning the re-appointment of KPMG Audit Plc as auditors and their remuneration will be proposed at the forthcoming Annual General Meeting.

16th June 2003
Reading

By Order of the Board
A.S. Childs
Secretary

Directors' Remuneration Report

Notes 5 and 17 to the financial statements are subject to audit and are part of the Directors' Remuneration Report.

Remuneration Committee

The Remuneration Committee ("the committee") consists solely of the Non-executive Directors. The members of the committee during the year were:

I. A. McKay (Chairman)
M. J. C. Hawkes
I. C. Menzies
E. S. G. Lloyd (since 15.1.03)
J. R. Chilton.

No member has any personal interest in the matters decided by the committee, nor any day to day involvement in the running of the business and therefore each member is considered to be independent. Mr Lloyd joined the committee upon his retirement as an executive Director and appointment as a non-executive Director.

The committee members have no personal financial interest, other than as shareholders, in the matters to be decided.

The committee meets several times a year to consider the terms and conditions of employment of the executive Directors and senior executives and to set remuneration packages and to operate the Group's performance related bonus and share option schemes. The committee refers to other comparable companies within the property sector with regard to information on compensation and salary of executive Directors and senior executives with similar responsibilities.

Policy

The interests of the executive Directors are aligned with those of shareholders by structuring the levels of basic salary and remuneration to attract, retain and motivate executive Directors of the quality required and with appropriate skills to manage and develop the Group successfully. In this regard when determining the level of remuneration the committee aims to provide a proportion of the Directors' remuneration through performance related elements, being a share option scheme and a bonus scheme. The remuneration package is reviewed on 1st April annually and consists of:-

i) Basic salary and benefits
Basic annual salaries for executive Directors are reviewed annually on 1st April. These are reviewed on the basis of both comparability with other similar sized companies within the sector, and on the performance of the individual executive Director. Benefits include a car allowance, and medical and life insurance. See note 5.

ii) Share option schemes
Currently the Group operates three share option schemes, the first approved by shareholders in August 1984 and the second and third in July 2002.

The 1984 Executive Share Option Scheme is Inland Revenue approved and non performance related, under which no further grants will be made but there is still outstanding the final grant which must be exercised by 2nd August 2004. The 2001 Approved Share Option Scheme is part Inland Revenue approved and part unapproved. The grants of the approved scheme are non performance related whereas

Policy (continued)

under the unapproved scheme, 50% of the initial grants have a condition requiring an increase in Net Asset Value (“NAV”) per share over the initial 3 year period during which options cannot be excercised (calculated using the NAV per share last published prior to the date of grant of the relevant option and the NAV per share last published prior to the proposed date of exercise of the relevant option) equal to or greater than the Retail Prices Index over the same time period plus 6%. The remaining 50% of the initial grant of options are not subject to any performance conditions. Options over 362,351 ordinary shares were granted to Directors and employees during the year. See note 17. Eligibility is at the discretion of the Remuneration Committee and no performance criteria is required.

iii) Bonus Scheme

The Group operates an annual cash bonus scheme for executive Directors and other employees, which was approved by shareholders at the Annual General Meeting in 2002. The Scheme provides that, where the Company's NAV increases by at least 6% more than the increase in RPI, an amount equal to 2% of the increase in NAV is distributed, or, if the NAV increases by at least 3% more than RPI, an amount equal to 1% of the increase in NAV is distributed. Any bonuses paid are not pensionable.

No payment will be made for the year ended 31st March 2003 as the targets were not achieved.

The performance criteria for the bonus scheme and the 2001 Unapproved Share Option Schemes have been set at a level to provide an appropriate motivational framework which more closely align the interests of the executive Directors and employees with the performance of the Group and the interests of shareholders.

iv) Pension Contribution

The Group operates an Inland Revenue approved final salary non contributory pension scheme which provides pension and protection in the forms of life cover and lump sums and dependants’ pension in the event of death in service or in retirement. Pensionable salary is basic salary excluding any benefits. The cost of the executive Directors' pensions of £97,729 (2002 - £123,969) is calculated by reference to the Company's contribution rate in respect of the members of that scheme.

Since 1989 no new members have been admitted to the approved final salary non contributory scheme. The Group also operates a money purchase pension scheme. Contributions for Mr S.C. Perkins are 20% of basic salary and Mr S.R. Mew are 15% of basic salary.

The Company does not operate a long term incentive plan.

Service contracts

The service contracts for Mr S.C. Perkins and Mr A.S. Childs are dated 15th January 2003 whilst that of Mr S.R. Mew is dated 12th December 2002. The service contracts are terminable by the Company on not less than two year's notice. Whilst this does not comply with provision B.3.3 of the Combined Code the committee considers that notice periods of two years are in the best interests and appropriate for the size of the Group. In taking this approach the committee has fully considered the compensation commitments in buying out existing service contracts. In each case the contracts are subject to six months' notice by the executive Director.

Service contracts (continued)

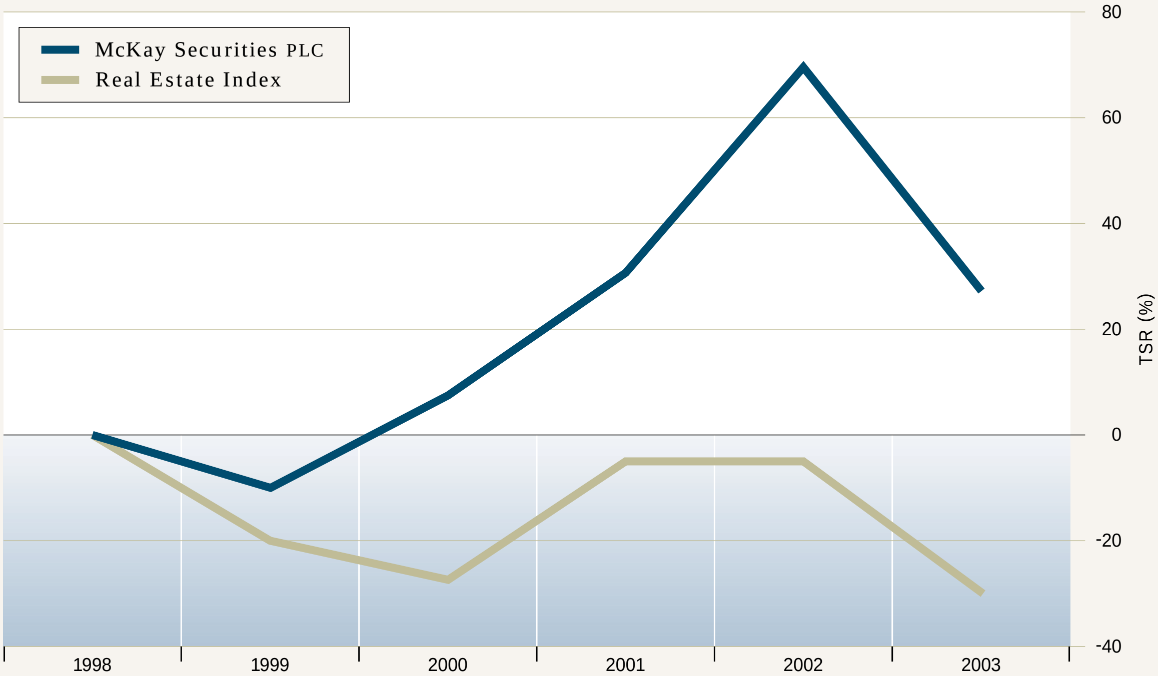
The committee considers all proposals for the early termination of the service contracts for executive Directors and senior executives and would observe the principle of mitigation.

Non-executive Directors fees

The remuneration of Non-executive Directors is recommended by the Board within the levels set in the Articles of Association. Apart from Mr I.A. McKay and Mr E.S.G. Lloyd who are provided with a car allowance and private medical insurance and Mr E.S.G. Lloyd and Mr J.R. Chilton who have outstanding share options, the Non-executive Directors are not eligible for any other benefits. Non-executive Directors are not appointed for specific terms as required by provision A.6.1 of the Combined Code, because it is not considered to be in the best interests of the Group. The Non-executive Directors have rolling contracts providing for them to retire by rotation in accordance with the Articles of Association. To comply with the Combined Code all Directors will submit themselves for re-election at least once every 3 years. The contracts for the Non-executive Directors are dated 26th February 2002 in respect of Messrs McKay, Hawkes, Menzies and Chilton and 25th March 2003 in respect of Mr Lloyd.

Performance graph

Total shareholder return compared to the FTSE Real Estate Index over the past five years.



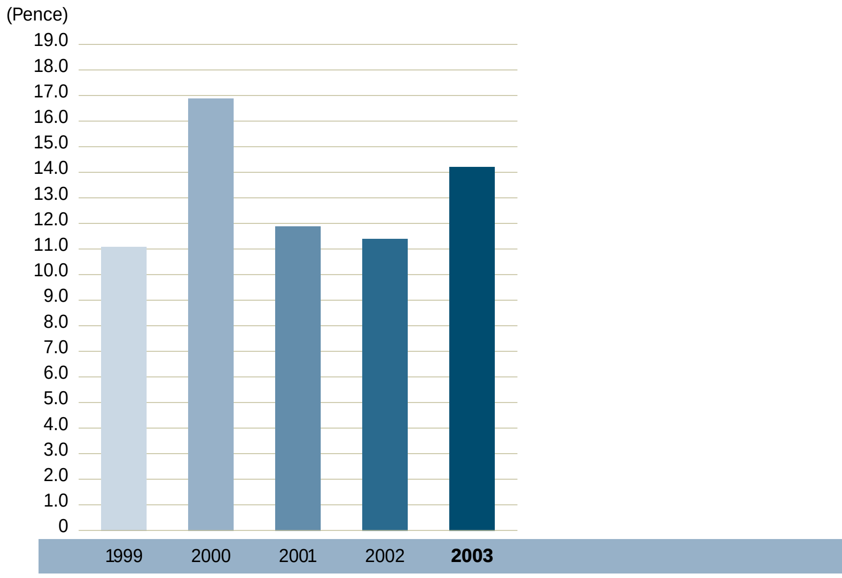
This graph shows the percentage change in value of £100 invested in McKay Securities PLC on 1st April 1998 compared to that of £100 invested in the FTSE Real Estate Index. This index is chosen by the Remuneration Committee as it is considered the most appropriate benchmark against which to assess the relative performance of the Group.

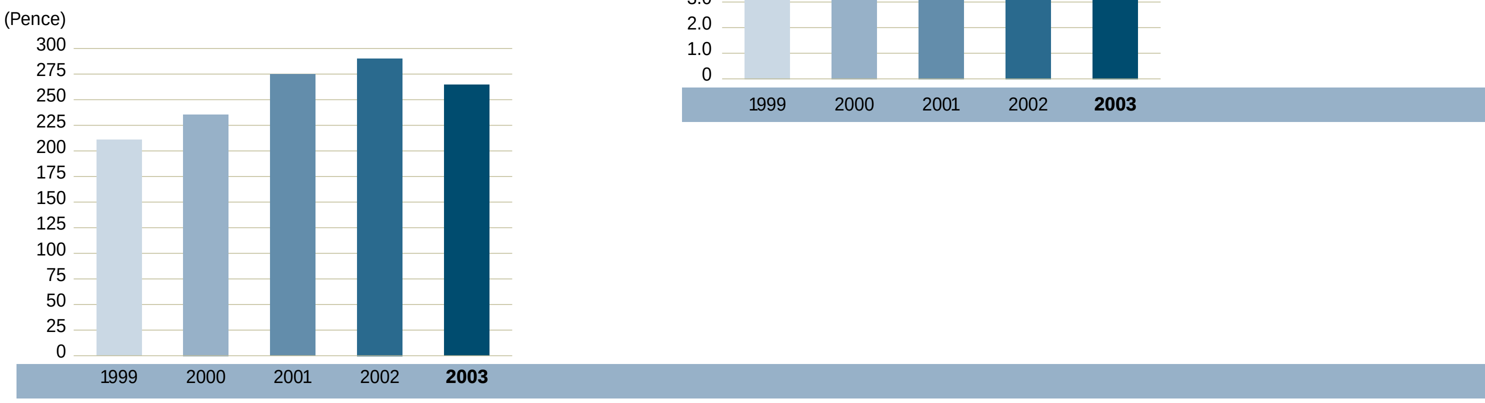
16th June 2003

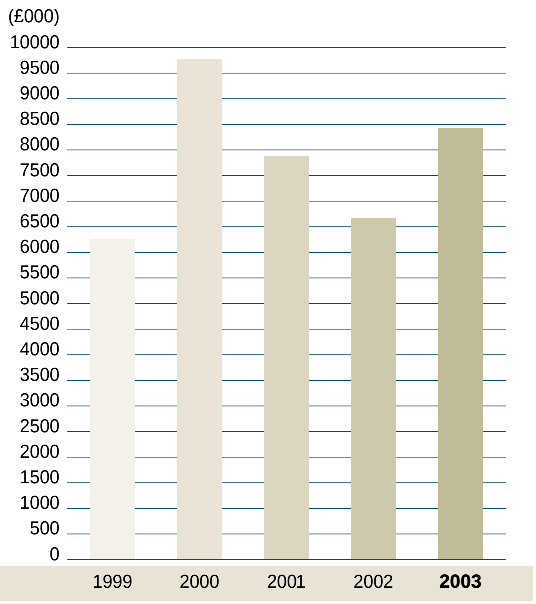
By Order of the Board
I.A. McKay
Chairman of the Remuneration Committee

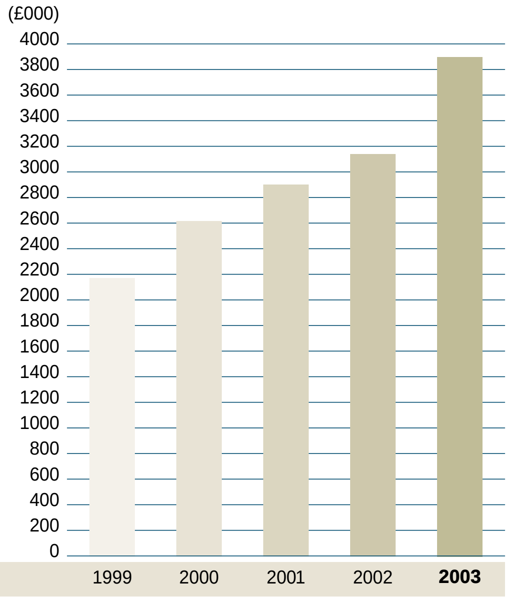
McKay Securities PLC
Results in Brief

	2003 £'000	2002 £'000
Gross rents and service charges receivable	16,666	15,724
Profit before taxation	8,402	6,836
Profit after taxation	6,427	5,151
Ordinary dividends (excluding special dividend)	3,892	3,143
Equity shareholders' funds	119,424	133,458
Earnings per share – diluted	14.2p	11.4p
Earnings per share – basic	14.9p	13.3p
Operating earnings per share – diluted	11.0p	9.3p
Operating earnings per share – basic	11.6p	10.8p
Dividend per share (excluding special dividend)	8.6p	8.1p
(Deficit)/surplus on revaluation	(5,359)	8,005









Five Year Summary

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Gross rents and service charges receivable	16,666	15,724	12,809	11,229	12,672
Profit before taxation	8,402	6,836	7,927	9,828	6,318
Profit after taxation	6,427	5,151	5,347	7,463	4,856
Ordinary dividends (excluding special dividend)	3,892	3,143	2,903	2,626	2,183
Equity shareholders' funds	119,424	133,458	124,927	104,551	91,542
Earnings per share – diluted (on total issued capital)	14.2p	11.4p	11.9p	16.9p	11.1p
Earnings per share – basic	14.9p	13.3p	13.8p	19.3p	12.9p
Operating earnings per share – diluted (on total issued capital)	11.0p	9.3p	8.2p	9.4p	7.4p
Operating earnings per share – basic	11.6p	10.8p	9.4p	10.8p	8.5p
Net asset value per share (on total issued capital)	264p	297p	279p	236p	209p

McKay Securities PLC
Consolidated Profit and Loss Account
For the year ended 31st March 2003

	Notes	2003 £'000	2002 £'000
Gross rents and service charges receivable	2	16,666	15,724
Direct property outgoings	2	(4,283)	(4,591)
Income from investment properties	2	12,383	11,133
Administration costs	3	(2,586)	(2,163)
Operating profit		9,797	8,970
Share of operating profit of associated undertakings		189	173
Profit on disposal of investment properties	8	1,755	1,219
Profit on ordinary activities before interest and taxation		11,741	10,362
Net interest payable	6	(3,339)	(3,526)
Profit on ordinary activities before taxation		8,402	6,836
Taxation	7	(1,975)	(1,685)
Profit on ordinary activities after taxation		6,427	5,151
Special dividend paid out of capital reserves	10	(9,956)	—
Dividends	10	(3,892)	(3,143)
Net (reduction)/increase in reserves		(7,421)	2,008
Transfer to capital reserve on disposal of properties	8	(1,425)	(951)
Transfer from capital reserve for distribution to shareholders	19	9,956	—
Net amount transferred to Profit and Loss Account Reserve	20	1,110	1,057
Earnings per share			
Basic	11	14.90p	13.28p
Diluted		14.20p	11.44p
Adjusted earnings per share			
Basic	11	15.47p	14.80p
Diluted		14.74p	12.75p
Operating earnings per share			
Basic	11	11.60p	10.83p
Diluted		11.05p	9.33p
Adjusted operating earnings per share			
Basic	11	12.17p	12.35p
Diluted		11.59p	10.64p
Dividend per share – excluding special dividend	10	8.6p	8.1p

The results for both the current and preceding year related entirely to continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

	2003 £'000	2002 £'000
Profit for the year	6,427	5,151
Unrealised (deficit)/surplus on revaluation of properties	(5,940)	7,635
Taxation on previously recognised gains (note 7)	(673)	(1,109)
Exchange losses	—	(3)
Total recognised (losses)/gains relating to the year	(186)	11,674

Consolidated Historical Cost Profits and Losses

	2003 £'000	2002 £'000
Reported profit before taxation	8,402	6,836
Realisation of property revaluation surpluses of previous years	4,597	4,499
Historical cost profit before taxation	12,999	11,335
Historical cost (loss)/profit for year retained after taxation and dividends	(3,497)	5,398

Consolidated Reconciliation of Movements in Shareholders' Funds

	2003 £'000	2002 £'000
Profit for the year	6,427	5,151
Dividends (note 10)	(13,848)	(3,143)
	(7,421)	2,008
Unrealised (deficit)/surplus on revaluation of properties	(5,940)	7,635
Exchange loss	—	(3)
Taxation on previously recognised gains (note 7)	(673)	(1,109)
Net (reduction)/addition to shareholders' funds	(14,034)	8,531
Opening shareholders' funds	133,458	124,927
Closing shareholders' funds	119,424	133,458

McKay Securities PLC
Consolidated Balance Sheet
At 31st March 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets – properties and other fixed assets	12	200,911	205,400
Investments	13	2,294	2,040
		203,205	207,440
Current assets			
Debtors	14	6,285	2,639
Cash at bank and in hand		3,414	1,563
		9,699	4,202
Creditors			
Amounts falling due within one year	15	(13,511)	(20,303)
Net current liabilities		(3,812)	(16,101)
Total assets less current liabilities		199,393	191,339
Creditors			
Amounts falling due after one year	15	(74,515)	(52,650)
Provisions for liabilities and charges			
Deferred taxation	16	(5,454)	(5,231)
Net assets		119,424	133,458
Capital and reserves			
Called up share capital	17	9,051	8,998
Share premium account	18	1,808	1,861
Revaluation reserve	19	51,027	61,564
Other capital reserves	19	35,853	40,460
Profit and loss account	20	21,685	20,575
Equity shareholders' funds		119,424	133,458
Net asset value per share		264p	297p
Effect of FRS 19		12p	11p
Adjusted net asset value per share		276p	308p

Company Balance Sheet
At 31st March 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets – properties and other fixed assets	12	141,180	141,040
Investments	13	44,544	22,708
		185,724	163,748
Current assets			
Debtors	14	19,538	23,685
Cash at bank and in hand		3,099	1,244
		22,637	24,929
Creditors			
Amounts falling due within one year	15	(33,522)	(38,085)
Net current liabilities		(10,885)	(13,156)
Total assets less current liabilities		174,839	150,592
Creditors			
Amounts falling due after one year	15	(67,450)	(45,250)
Provisions for liabilities and charges			
Deferred taxation	16	(3,602)	(3,475)
Net assets		103,787	101,867
Capital and reserves			
Called up share capital	17	9,051	8,998
Share premium account	18	1,808	1,861
Revaluation reserve	19	54,021	60,683
Other capital reserves	19	10,545	16,000
Profit and loss account	20	28,362	14,325
Equity shareholders' funds		103,787	101,867

These financial statements were approved by the Board of Directors on 16th June 2003 and were signed on its behalf by I.A. McKay and S.C. Perkins.

McKay Securities PLC
Consolidated Cash Flow Statement
For the year ended 31st March 2003

	Notes	2003		2002	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	21		5,962		6,483
Dividends received from associated undertaking			122		88
Returns on investments and servicing of finance					
Interest received		136		42	
Interest paid		(4,211)		(3,322)	
Dividends received		1		1	
Net cash outflow from returns on investments and servicing of finance			(4,074)		(3,279)
Taxation					
Corporation tax refund		42		219	
Corporation tax paid		(2,657)		(2,515)	
			(2,615)		(2,296)
Capital expenditure					
Purchase and development of investment properties		(8,848)		(14,241)	
Purchase of other fixed assets		(62)		(32)	
Sales of investment properties		9,125		13,685	
Net cash inflow/(outflow) for capital expenditure			215		(588)
Equity dividends paid			(13,364)		(2,986)
Cash outflow before financing			(13,754)		(2,578)
Increase in debt			15,605		3,461
Increase in cash in year	22		1,851		883

Notes to the Financial Statements
For the year ended 31st March 2003

1 Statement of accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets, and in accordance with applicable Accounting Standards and the Companies Act 1985 except as noted below. In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account for McKay Securities PLC is not presented. The profit after tax dealt within the holding company is £19,045,000 (2002 – £5,770,000). The increase in current year profit reflects the release of a provision held against amounts due from subsidiary undertakings which is no longer required.

The Directors have, in accordance with Section 226 of the Companies Act 1985, departed from the standard descriptions of the profit and loss account as set out in Schedule 4 of the Act on the grounds that the prescribed descriptions are not applicable in a property company. The financial statements comply with the requirements of Section 226 and Schedule 4 of the Act in all other circumstances, save in respect of investment properties as mentioned below.

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of consolidation
The consolidated financial statements include the results of the parent undertaking and all its subsidiary undertakings for the year ended 31st March 2003.

Goodwill
Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions before 31st March 1998, when FRS10 Goodwill and intangible assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill arising on consolidation in respect of acquisitions since 31st March 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Changes to goodwill arising from changes in contingent consideration or deferred consideration or fair value of net assets acquired where permitted under FRS7 are treated in accordance with the accounting policy existing at the date of the acquisition.

Associated undertakings
An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Operating lease incentives
The Group complies with UITF 28 (Operating Lease Incentives) which requires property companies to account for any lease incentives as a revenue cost and for rental income from the commencement of any rent free period.

1 Statement of accounting policies continued

Properties and other fixed assets

In accordance with Statement of Standard Accounting Practice No. 19 Accounting for Investment Properties:

(i) investment properties are revalued annually on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve except that any impairment in the value of an investment property is taken to the profit and loss account for the period; and

(ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate.

The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

The valuation is carried out annually by independent external valuers. Details of the external valuation as at 31st March 2003 are given in note 12.

Any accrued rent receivable recognised as a separate asset in accordance with the Group's accounting policy on lease incentives is deducted from the external valuation as required by UITF 28.

All other fixed assets are depreciated on a straight line basis at rates calculated to write off the cost less estimated residual value over their useful lives, which are estimated to be 5 years.

Development outgoings

Interest and other outgoings, less rental income relating to investment properties in the course of development, are transferred to the cost of properties to the extent that this is not expected to result in a deficit on valuation of the properties upon completion. Development interest is calculated using the average cost of borrowings for the year relating primarily to current developments. A property ceases to be treated as being in the course of development when substantially all the activities that are necessary to get the tangible fixed asset ready for use are complete.

Surpluses/deficits

Surpluses/deficits on realisation of properties are dealt with as a profit/loss on disposal of investment properties in the profit and loss account and then transferred to/from capital reserve.

Post retirement benefits

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

FRS 17 provides for a phased implementation period with full implementation by 2005. The Group has implemented the transitional requirements which are additional disclosures over and above those required by SSAP24.

Taxation

The taxation charge in the consolidated profit and loss account is based on the profit for the year.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

1 Statement of accounting policies continued

Tax liabilities on future sales of properties

The deficit on revaluation of properties in 2003 and any surplus/deficit in prior years is included in reserves. No provision has been made for any tax which might be payable in the event of future sales of assets at book values. However, as the properties of the Group are held as long term investments, it is not anticipated that a significant proportion of this contingent liability will become payable in the near future. The potential liability is quantified in note 7 to the financial statements. This is after taking account of the capital allowances deferred tax provision as required by FRS 19.

Foreign currencies

The results of overseas operations have been translated at the average rates ruling throughout the year.

Monetary assets and liabilities in foreign currencies are converted to sterling at the exchange rates ruling at the year end. Adjustments arising from realignment of currencies occurring during the year are included in movements on reserves or, if related to trading, in the profit and loss account.

2 Income from investment properties

	2003 £'000	2002 £'000
Gross rents receivable	12,981	12,190
UITF 28 adjustment	581	370
	13,562	12,560
Service charges receivable	3,104	3,164
	16,666	15,724
Direct property outgoings	(4,283)	(4,591)
	12,383	11,133

Rent receivable under the terms of the leases is adjusted, in accordance with UITF 28, for the effect of any incentives given, which are spread on a straight line basis up to the time when the prevailing market rent will be payable.

The profit on ordinary activities before taxation is attributable to income from investment properties.

3 Administration costs

Profit on ordinary activities before taxation is stated after charging:

	2003 £'000	2002 £'000
Depreciation of tangible fixed assets (note 12)	32	22
Auditors' remuneration		
as auditors – Group	58	57
– Company	39	39
other services – fees paid to the auditors and its associates	138	33

4 Employees

The average number of persons employed by the Group (including Directors) during the year was 25 (2002 – 25).

Their total remuneration was:

	2003 £'000	2002 £'000
Salaries	1,209	1,109
Social security costs	124	123
Pension costs	205	198
	1,538	1,430

5 Directors' emoluments and share interests

This table also forms part of the Directors' Remuneration Report on pages 13 to 15.

Directors' emoluments

The emoluments of the Directors of the Company are shown below:

	Salary £	Fees £	Benefits £	31st March 2003 Total £	31st March 2002 Total £
Executive					
E. S. G. Lloyd (until 15.1.03)	178,750	—	11,000	189,750	224,326
S. C. Perkins	136,960	—	9,483	146,443	113,523
J. R. Chilton (until 31.7.01)	—	—	—	—	60,073
A. S. Childs	133,468	—	12,187	145,655	138,403
S. R. Mew (from 19.8.02)	66,136	—	7,291	73,427	—
Non-executive					
I. A. McKay	—	36,250	12,024	48,274	46,698
E. S. G. Lloyd (from 15.1.03)	—	4,997	2,469	7,466	—
J. R. Chilton (from 1.8.01)	—	21,750	—	21,750	10,500
M. J. C. Hawkes	—	21,750	—	21,750	21,000
I. C. Menzies	—	21,750	—	21,750	21,000
Total	515,314	106,497	54,454	676,265	635,523

The aggregate of emoluments and gains on exercise of share options of the highest paid Director was £197,216 (2002 – £224,326). See note 17 for details of Directors share options.

5 Directors' emoluments and share interests continued

Directors' pension entitlements

The pension benefits earned during the year are as follows:

	Accumulated accrued pension at year end £	Increase in accrued pension during the year £	Transfer value of accrued pension at start of the year £	Transfer value of accrued pension at the end of the year £	Decrease in transfer value over the year £
A. S. Childs	71,551	4,356	616,230	586,409	(29,821)

Directors' share interests

The interests in the shares of the Company of each Director were as follows:

	At 31st March 2003	
Beneficial	Ordinary shares	Percentage
I. A. McKay	2,318,025	5.120
E. S. G. Lloyd	410,777	0.908
J. R. Chilton	1,875,664	4.140
M. J. C. Hawkes	301,066	0.665
I. C. Menzies	25,000	0.050
A. S. Childs	9,418	0.021
S. C. Perkins	40,492	0.089
S. R. Mew	2,187	0.005
Non beneficial		
I. A. McKay	2,994,199	6.616
E. S. G. Lloyd	1,500,000	3.314
J. R. Chilton	2,170,837	4.797
M. J. C. Hawkes	232,832	0.574
A. S. Childs	93,500	0.207

5 Directors' emoluments and share interests continued

	At 31st March 2002			
Beneficial	Ordinary shares	Capital shares	Total shares	Percentage
I. A. McKay	2,399,245	281,792	2,681,037	5.959
E. S. G. Lloyd	410,777	—	410,777	0.913
J. R. Chilton	1,723,631	145,830	1,869,461	4.160
M. J. C. Hawkes	215,825	81,763	297,588	0.661
I. C. Menzies	15,000	—	15,000	0.033
A. S. Childs	6,452	2,846	9,298	0.021
S. C. Perkins	6,700	1,000	7,700	0.017
S. R. Mew	2,187	—	2,187	0.005
Non beneficial				
I. A. McKay	1,599,531	1,290,177	2,889,708	6.423
E. S. G. Lloyd	1,296,500	3,500	1,300,000	2.889
J. R. Chilton	1,267,770	866,217	2,133,987	4.743
M. J. C. Hawkes	231,684	1,102	232,786	0.517
A. S. Childs	93,500	—	93,500	0.208

In addition, Mr. I. A. McKay and Mr. J. R. Chilton are interested as connected persons in 5,327,903 ordinary shares held by Farringdon Property Trust Limited. Mr. I. A. McKay is also interested in 300,000 ordinary shares held by Ronnoco Export Development Company Limited.

Further details relating to Directors' emoluments and pension entitlements are set out within the Directors' Remuneration Report on pages 13 to 15 and further details relating to share options are set out in note 17 on page 38.

The issued capital shares in the Company were converted into ordinary shares on 30th July 2002.

6 Net interest payable

	2003		2002	
	£'000	£'000	£'000	£'000
Interest payable:				
Bank loans, overdrafts and other loans repayable within five years	2,475		2,770	
All other loans	1,234		1,024	
	3,709		3,794	
Less: Interest relating to properties in the course of development (note 9)	(232)		(214)	
		3,477		3,580
Interest receivable:				
Bank and other short term deposits		(138)		(54)
		3,339		3,526

7 Taxation

	2003		2002	
	£'000	£'000	£'000	£'000
Analysis of charge in period:				
UK corporation tax:				
Current tax on income for the period	2,341		2,482	
Adjustments in respect of prior periods	(14)		(31)	
Share of associate's tax – current	110		36	
– prior periods	(12)		(39)	
		2,425		2,448
Foreign tax:				
Adjustment in respect of prior periods		—		7
Total current tax		2,425		2,455
Deferred tax (see note 16):				
Origination of timing differences		223		339
Tax on profit on ordinary activities		2,648		2,794
Less tax on previously recognised gains		(673)		(1,109)
		1,975		1,685

Factors affecting the tax charge for the current period:
The current tax charge for the period is lower (2002: higher) than the standard rate of corporation tax in the UK of 30% (2002 – 30%). The differences are explained below.

	2003	2002
	£'000	£'000
Current tax reconciliation:		
Profit on ordinary activities before tax	8,402	6,836
Current tax at 30% (2002 – 30%)	2,521	2,051
Effects of:		
Expenses not deductible for tax purposes	1	22
Capital allowances for period in excess of depreciation	(446)	(486)
Chargeable gains in excess of profit on disposal of properties	478	1,011
Development interest capitalised	(70)	(64)
Difference on tax rate on share of associate's profits	(33)	(16)
Foreign tax suffered	—	7
Adjustments to tax charge in respect of previous periods	(26)	(70)
Total current tax charge (see above)	2,425	2,455

Factors affecting future tax rate:

Capital allowances are claimed on eligible investment assets and calculated on the reducing balance. The availability of capital allowances in excess of depreciation in future years will depend on the Group's ongoing development and acquisition programme.

No provision for deferred tax has been made on gains which would become payable if the Group's investment properties were sold at their year end valuations. The estimate of the contingent tax is £8,627,000 (2002 – £9,785,000).

8 Transfer to capital reserve

	2003 £'000	2002 £'000
Profit on sale of investment properties	1,755	1,219
Less: Taxation	(330)	(268)
	1,425	951

Included within the profit on sale of investment properties is £286,000 arising in the associated undertaking.

9 Development outgoings

Interest, net rents and other outgoings relating to investment properties in the course of development are dealt with as explained in note 1 and consist of:

	2003 £'000	2002 £'000
Gross interest (note 6)	232	214

Total development interest capitalised to date amounts to £3,263,000 (2002 – £3,031,000). The rate of interest used is 5.3% (2002 – 5.7%).

10 Dividends

	2003 £'000	2002 £'000
Ordinary shares:		
Special dividend 22.0p paid out of capital reserves	9,956	—
Interim 2.9p (2002 – 2.7p)	1,312	1,048
Proposed 2003 final dividend of 5.7p per share (2002 – 5.4p)	2,580	2,095
	13,848	3,143

The capital shares were converted to ordinary shares on 30th July 2002.

11 Earnings per share

Basic earnings per share on ordinary shares are based on profit after tax of £6,426,782 (2002 – £5,150,769) and 43,134,332 (2002 – 38,773,869) shares, being the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share are based on the same profit after tax and on the weighted average number of shares in issue during the period of 45,268,906 (2002 – 45,006,821), which takes into account the number of potential ordinary shares arising from the exercise of share options and the number of capital shares in issue that could be converted to ordinary shares.

Operating earnings of £5,001,809 (2002 – £4,199,739) exclude the profits (net of tax) on the sale of investment properties, investments and other income; operating earnings per share are calculated on the basis of the same number of shares in issue as for earnings per share noted above.

Reconciliation of earnings per share to diluted earnings per share:

		EPS 2003 p	EPS 2002 p
Weighted number of ordinary shares in issue	43,134,332	14.90	13.28
Weighted number of capital shares in issue	2,034,662	(0.67)	(1.81)
Number of shares under option	535,889	(0.17)	(0.08)
Number of shares that would have been issued at fair value	(435,977)	0.14	0.05
	45,268,906	14.20	11.44

	31st March 2003		31st March 2002	
	Basic p	Diluted p	Basic p	Diluted p
Earnings per share	14.90	14.20	13.28	11.44
Effect of FRS 19	0.57	0.54	1.52	1.31
Adjusted earnings per share	15.47	14.74	14.80	12.75
Earnings per share	14.90	14.20	13.28	11.44
Property sales after taxation (note 8)	(3.30)	(3.15)	(2.45)	(2.11)
Operating earnings per share	11.60	11.05	10.83	9.33
Effect of FRS 19	0.57	0.54	1.52	1.31
Adjusted operating earnings per share	12.17	11.59	12.35	10.64

Operating earnings per share have been disclosed to show earnings that reflect the core operating activities of the Group.

Adjusted earnings per share exclude the deferred tax provided in accordance with FRS 19, on capital allowances on properties in development and completed investment properties, where no tax payment is expected to crystallise. Where on the sale of an investment property, the agreed value for the plant and machinery disposed of is less than original cost, there is a release of part of the provision. However, in practice it is expected that the full capital allowance provision would be released.

12 Tangible assets – properties and other fixed assets

Group	Freehold £'000	Long leasehold £'000	Other assets £'000	Total £'000
Cost or valuation				
At 1st April 2002	178,188	27,150	560	205,898
Additions	9,069	11	62	9,142
Transfer (see note below)	(2,525)	2,525	—	—
Revaluation deficit	(2,504)	(3,436)	—	(5,940)
Disposals	(7,655)	—	(183)	(7,838)
At 31st March 2003	174,573	26,250	439	201,262
Depreciation				
At 1st April 2002			498	498
Charge for year			32	32
Disposals			(179)	(179)
At 31st March 2003			351	351
Net book value at 31st March 2003	174,573	26,250	88	200,911
Net book value at 31st March 2002	178,188	27,150	62	205,400
Consisting of as at 31st March 2003:				
Investment properties at valuation	174,573	26,250	—	200,823
Other assets	—	—	88	88
	174,573	26,250	88	200,911
The properties are made up of:				
Office/retail 80%	136,308	23,600		159,908
Industrial 19%	38,135	—		38,135
Residential 1%	130	2,650		2,780
	174,573	26,250		200,823

During the year the freehold interest in Parkside Knightsbridge was sold whilst retaining the leasehold interest in four flats.

The revaluation deficit in the year can be analysed as follows:

	Group £'000	Parent undertaking £'000
Revaluation deficit to open market value based upon external valuation	(5,359)	(2,023)
UITF 28 adjustment for amounts included within rents receivable	(581)	(581)
Revaluation deficit	(5,940)	(2,604)

12 Tangible assets – properties and other fixed assets continued

Parent undertaking	Freehold £'000	Other assets £'000	Total £'000
Cost or valuation			
At 1st April 2002	140,984	381	141,365
Additions	9,068	62	9,130
Revaluation deficit	(2,604)	—	(2,604)
Disposals	(6,354)	(7)	(6,361)
At 31st March 2003	141,094	436	141,530
Depreciation			
At 1st April 2002		325	325
Charge for year		32	32
Disposals		(7)	(7)
At 31st March 2003		350	350
Net book value at 31st March 2003	141,094	86	141,180
Net book value at 31st March 2002	140,984	56	141,040
Consisting of as at 31st March 2003:			
Investment properties at valuation	141,094	—	141,094
Other assets	—	86	86
	141,094	86	141,180

In accordance with the Group's accounting policy on properties there was an external valuation at 31st March 2003. This valuation was carried out in England by Mellersh and Harding, Chartered Surveyors and Valuers, and in Scotland by Insignia Richard Ellis, Chartered Surveyors and Valuers, on an open market basis.

The historical cost of properties stated at valuation is approximately £148,000,000 (2002 – £136,000,000) for the Group and £105,000,000 (2002 – £90,000,000) for the Company.

13 Fixed assets – investments

	Shares in subsidiary undertaking £'000	Investment in associated undertaking £'000	Other investments £'000	Total £'000
Parent undertaking				
Valuation at 1st April 2002	22,606	100	2	22,708
Additions	21,836	—	—	21,836
At 31st March 2003	44,442	100	2	44,544
Group				
Valuation at 1st April 2002	—	2,038	2	2,040
Additions	—	254	—	254
At 31st March 2003	—	2,292	2	2,294

At 31st March 2003 McKay Securities PLC had the following wholly owned subsidiary undertakings all of which operate in England and are registered in England and Wales with the exception of Celina Holdings Limited which is registered in Gibraltar:

Acreway Limited	Baldwin House Limited
Parkside Knightsbridge Limited	McKay Securities Overseas Limited
S. W. Factories Limited	Celina Holdings Limited

The principal activity of the subsidiary undertakings is property investment and development or the holding of investments.

The historical cost of shares in subsidiary undertakings is £23,806,215 (2002 – £1,970,402), and the Directors are of the opinion that the investment in the subsidiary undertakings is worth not less than the current book value.

In addition, through McKay Securities Overseas Limited, the Company holds 100% of the issued common stock of McKay International Properties Inc., a company which is incorporated in the United States of America.

The interest in the associated undertaking represents 20% of the issued share capital of 450,000 £1 ordinary shares of Property Investment Holdings Limited. The company is engaged in property investment and development, is unlisted and registered in England and Wales.

Additional information in respect of movements during the year:

The additional investment in the parent undertaking of £21,836,000 represents further shares subscribed for in Acreway Limited.

Interest in associated undertaking:

	Shares at cost £'000	Share of post acquisition reserves £'000	Total investment £'000
At 1st April 2002	100	1,938	2,038
Share of profits for the year, less taxation and dividends received	—	254	254
At 31st March 2003	100	2,192	2,292

14 Debtors

	2003 Group £'000	2003 Parent undertaking £'000	2002 Group £'000	2002 Parent undertaking £'000
Rents receivable	1,027	987	469	469
Amounts due from subsidiary undertakings	—	13,692	—	22,532
Other debtors and prepayments	5,258	4,859	2,170	684
	6,285	19,538	2,639	23,685

All the above debtors are receivable within one year except for rents receivable of £909,000 (2002 – £325,000), accrued in accordance with UITF 28.

15 Creditors

	2003 Group £'000	2003 Parent undertaking £'000	2002 Group £'000	2002 Parent undertaking £'000
Bank loans	74,850	67,450	61,970	54,250
Loans from connected parties (note 24)	4,233	4,233	1,447	1,447
Loan notes	97	97	143	143
	79,180	71,780	63,560	55,840
Rent received in advance	2,547	1,793	2,617	1,744
Corporation tax payable	1,450	899	1,733	823
Other taxation and social security costs	218	218	4	4
Amounts owed to subsidiary undertakings	—	22,281	—	20,429
Other creditors and accruals	2,051	1,421	2,944	2,400
Dividends proposed	2,580	2,580	2,095	2,095
	88,026	100,972	72,953	83,335
Analysed as follows:				
Due in less than 1 year	13,511	33,522	20,303	38,085
Due after 1 year	74,515	67,450	52,650	45,250
	88,026	100,972	72,953	83,335

All the above creditors are payable within one year except bank loans of the Group of £74,515,000 (2002 – £52,650,000) and of the parent undertaking of £67,450,000 (2002 – £45,250,000).

15 Creditors continued

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:

	2003 £'000	2002 £'000
Parent undertaking		
Secured bank loans repayable at stated dates between 2004 and 2017 at variable rates	67,450	54,250
Unsecured short term loans repayable on demand to connected parties (note 24)	4,233	1,447
Unsecured loan notes repayable at any time up to 2006 at variable rates	97	143
	71,780	55,840
Subsidiary undertakings		
Secured bank loans repayable at stated dates between 2002 and 2007 at variable rates	7,400	7,720
	79,180	63,560

	2003		2002	
Repayable in:	Group £'000	Parent undertaking £'000	Group £'000	Parent undertaking £'000
Less than 1 year	4,665	4,330	10,910	10,590
1-2 years	13,845	13,500	335	—
2-5 years	31,470	24,750	37,365	36,250
More than 5 years	29,200	29,200	14,950	9,000
	79,180	71,780	63,560	55,840

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:

	2003 £'000	2002 £'000
Expiring in less than 1 year	—	8,000
Expiring in 1 – 2 years	1,500	—
Expiring in more than 2 years	26,800	3,500
	28,300	11,500

The movement in the fair value of the instruments used to hedge the floating rate facilities from 9th January 2003 to 31st March 2003 is summarised below:

	2003 £'000
Loss on interest rate swaps	(724,963)
Gain on interest rate collars	370,781
Net loss	(354,182)

16 Provisions for liabilities and charges

	Group £'000	Parent undertaking £'000
At 1st April 2002	5,231	3,475
Charged to profit and loss account	223	127
At 31st March 2003	5,454	3,602

	Group		Parent Undertaking	
	2003	2002	2003	2002
Difference between accumulated depreciation and capital allowances	4,566	4,322	2,714	2,566
Other timing differences	888	909	888	909
Deferred tax liability	5,454	5,231	3,602	3,475

17 Called up share capital

	2003		2002	
	Authorised £	Allotted called up and fully paid £	Authorised £	Allotted called up and fully paid £
Ordinary shares of 20p each	9,109,693	9,051,111	7,819,282	7,760,700
Capital shares of 20p each	—	—	1,237,753	1,237,753
Unclassified shares of 20p each	890,307	—	942,965	—
	10,000,000	9,051,111	10,000,000	8,998,453

The capital shares do not rank for dividends but each capital shareholder is entitled annually to a capitalisation issue of further capital shares with a value equal to the value of the dividends for the year on an equivalent holding of ordinary shares. The ordinary shares and the capital shares rank pari passu in all other respects.

On 30th July 2002 263,289 capital shares were issued as a capitalisation issue. Following the approval of shareholders at the Extraordinary General Meeting held on 30th July 2002, 6,452,054, being all of the capital shares in issue, were converted into ordinary shares (2002 – 50,541). The aggregate nominal value of shares issued during the year was £52,658 (2002 – £52,552).

17 Called up share capital continued

The total number of shares in issue was:

	2003	2002
Ordinary shares of 20p each	45,255,555	38,803,501
Capital shares of 20p each	—	6,188,765
	45,255,555	44,992,266

Directors' share options

Directors' options over ordinary shares granted under the Executive Share Option Schemes to acquire ordinary shares in the Company are as follows:

		31st March 2003	31st March 2002	Exercise price	Date from which exercisable	Expiry date
E. S. G. Lloyd	(a)	67,200	67,200	124.00p	03.08.97	02.08.04
J. R. Chilton	(a)	43,500	43,500	124.00p	03.08.97	02.08.04
A. S. Childs	(a)	37,500	37,500	124.00p	03.08.97	02.08.04
	(b)	73,950	—	178.50p	26.07.05	25.07.12
		111,450	37,500			
S. C. Perkins	(b)	73,950	—	178.50p	26.07.05	25.07.12
S. R. Mew	(b)	40,616	—	178.50p	26.07.05	25.07.12

(a) Options granted under the 1988 Executive Share Options Scheme (under which no further grants will be made).
(b) Options granted under the 2001 Executive Share Option Schemes.

Options over 362,351 ordinary shares were granted to Directors and employees during the year in accordance with the 2001 Executive Share Option Schemes.

Options over 15,000 ordinary shares granted to employees under the 1984 Executive Share Option Scheme lapsed during the year.

Options in respect of 321,135 ordinary shares granted to other employees remained outstanding at 31st March 2003 (2002 – 162,300). The total number of options over the ordinary shares outstanding at 31st March 2003 was 657,851 (2002 – 310,500).

The middle market price of the ordinary shares at 31st March 2003 was 155p. The range of the middle market prices of the ordinary shares during the year was 217.5p to 149p.

No options were exercised during the year (2002 – Nil).

This information also forms part of the Directors' Remuneration Report on page 13.

18 Share premium account

	£'000
At 1st April 2002	1,861
Issue of capital shares in year	(53)
At 31st March 2003	1,808

19 Capital reserves

	Group		Parent Undertaking	
	Revaluation reserve £'000	Other capital reserve £'000	Revaluation reserve £'000	Other capital reserve £'000
At 1st April 2002	61,564	40,460	60,683	16,000
Deficit on revaluation of properties	(5,940)	—	(2,604)	—
Transfer on disposal of investment properties	(3,924)	3,924	(3,385)	3,385
Taxation on previously recognised gains	(673)	—	(673)	—
Profit on sale of properties	—	1,425	—	1,116
Special dividend	—	(9,956)	—	(9,956)
At 31st March 2003	51,027	35,853	54,021	10,545

Cumulative goodwill written off to other capital reserve amounts to £1,359,000 (2002 – £1,359,000).

20 Profit and loss account

	Group £'000	Parent undertaking £'000
At 1st April 2002	20,575	14,325
Retained profit for the year transferred from profit and loss account	1,110	14,037
At 31st March 2003	21,685	28,362

21 Notes to the cash flow statement

Reconciliation of Group operating profit to net cash inflow from operating activities

	2003 £'000	2002 £'000
Group operating profit	9,797	8,970
Profit on other asset disposals	—	(2)
Depreciation charge	32	22
Increase in debtors	(3,644)	(1,543)
Decrease in creditors	(223)	(964)
Net cash inflow from operating activities	5,962	6,483

22 Net debt

Reconciliation of net cash flow to movements in net debt

	2003 £'000	2002 £'000
Increase in cash in year	1,851	883
Cash inflow from changes in debt	(15,605)	(2,376)
Change in net debt resulting from cash flow	(13,754)	(1,493)
Non cash changes in debt	(15)	(300)
Movement in net debt in year	(13,769)	(1,793)
Net debt at 1st April 2002	(61,997)	(60,204)
Net debt at 31st March 2003	(75,766)	(61,997)

Analysis of net debt

	At 31st March 2003 £'000	Movement in year Cash flow £'000	Movement in year Non-Cash £'000	At 1st April 2002 £'000
Cash at bank and in hand	3,414	1,851	—	1,563
Debt due within one year (see note 15)	(4,665)	(2,740)	8,985	(10,910)
Debt due after one year (see note 15)	(74,515)	(12,865)	(9,000)	(52,650)
Net debt	(75,766)	(13,754)	(15)	(61,997)

23 Commitments and contingent liabilities

	2003 Group £'000	2003 Parent undertaking £'000	2002 Group £'000	2002 Parent undertaking £'000
Capital expenditure committed but not provided for	1,004	1,004	4,306	4,306

24 Transactions involving Directors

During the year the Company received cash deposits from connected parties as follows:

Lender	Relevant Director	Maximum amount deposited in the year	Balance as at 31st March 2003	Balance as at 31st March 2002	Basis of interest payable
Aldershot Trust Estates Limited	E. S. G. Lloyd	£100,000	£100,000	—	Base rate
Farringdon Property Trust Limited	I. A. McKay J. R. Chilton	£2,810,416	£2,790,815	£196,073	Base rate
Ronnoco Export Development Company Limited	I. A. McKay	£83,259	£22,251	£35,832	Base rate
Mrs. M. A. Chilton	J. R. Chilton	£1,215,000	£990,000	£1,215,000	Base rate
E. S. G. Lloyd	E. S. G. Lloyd	£330,000	£330,000	—	Base rate
		£2,736,110	£4,233,066	£1,446,905	

The deposits at the year end are included in creditors as amounts owed to connected parties (see note 15). The amount of interest paid by the Group during the year was £87,716 (2002 – £97,792).

The insurance requirements of the Group are placed through the insurance agency of Mr. I. A. McKay. During the year he received commission of £55,980 (2002 – £45,188) of which £14,409 (2002 – £11,771) was rebated to the Group.

25 Pensions

The Group operates a defined benefits pension scheme in the U.K. providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Group, being invested with insurance companies. The contributions are determined by a qualified actuary on the basis of a triennial valuation using the attained age method. The most recent valuation was as at 31st March 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment returns would be 7.0% per annum and that salary increases would average 5.0% per annum.

A rate of 47.25% of total pensionable salaries was recommended to meet the cost of accruing liabilities. Premiums for death benefits and scheme administration are in addition to this rate. The most recent actuarial valuation showed that the market value of the scheme's assets was £3,446,000 which represents 89% of the scheme's liabilities, after allowing for future expected increases in earnings.

At the 31st March 2002 actuarial valuation the scheme was 79% funded on the Minimum Funding Requirement basis, as defined by the Pensions Act 1995. Therefore, there was a shortfall of £926,000 in the scheme's Minimum Funding Requirement. The scheme has 3 years from the date of the last valuation to bring the MFR funding level up to 90%, and a further 7 years thereafter to restore the MFR level to 100%. Total pension costs charged to the Profit and Loss Account for the year were £395,430 (2002 – £323,000). Additional amounts have been paid towards making good the deficit in accordance with actuarial advice which has resulted in a prepayment of £349,546 (2002 – nil).

25 Pensions continued

The information below sets out the additional disclosures required by FRS 17 Retirement Benefits.

The valuation for the disclosures required by FRS 17 is based on the most recent actuarial valuation at 31st March 2002 and updated by Jardine Lloyd Thompson to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31st March 2003. Scheme assets are stated at their market value at 31st March 2003.

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	31st March 2003	31st March 2002
Inflation	2.50%	3.00%
Salary increases	4.50%	5.00%
Rate of discount	5.25%	7.00%
Pension in payment increases	2.50%	2.50%
Illustrative balance sheet figures	£'000	£'000
Assets	3,353	3,418
Liabilities	4,437	3,863
Recoverable deficit in scheme	(1,084)	(445)
Related deferred tax asset	325	133
Net pension liability	(759)	(312)

	£'000	£'000
Assets		
Equities	1,805	1,959
Property	280	267
Gilts	699	678
Corporate and overseas bonds	259	262
Cash	310	252

The asset split as at 31st March 2002 is approximated using the current fund splits for each manager.

Expected long term rate of return		
Equities	9.00%	7.75%
Property	5.25%	7.00%
Gilts	4.50%	5.25%
Corporate and overseas bonds	5.25%	7.00%
Cash	4.50%	5.00%

25 Pensions continued

Illustrative charge to the profit and loss account over the financial year

Operating profit	£'000
Current service cost	45
Less employees contributions	—
Past service cost	—
Previous unrecognised surplus deducted from past service cost	—
Gains and losses on settlements and curtailments	—
Previous unrecognised surplus deducted from settlement or curtailment losses	—
Total operating charge	45
Other finance income	
Expected return on pension scheme assets	(243)
Interest on pension scheme liabilities	256
Net return	13
Total	58

Illustrative amounts which would be included within the statement of total recognised gains and losses

	£'000	
Difference between expected and actual return on assets	(481)	-14.3% of scheme assets at 31st March 2003
Experience gains and losses arising on the scheme liabilities	97	2.2% of the present value of the scheme liabilities at 31st March 2003
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	(821)	-18.5% of the present value of the scheme liabilities at 31st March 2003
Total	(1,205)	-27.1% of the present value of the scheme liabilities at 31st March 2003

Movement in illustrative balance sheet deficit figures during the year

	31st March 2003 £'000
Deficit in scheme at beginning of year	(445)
Movement in year:	
Current service cost	(45)
Net interest/return on assets	(13)
Contributions	624
Past service costs	—
Actuarial loss	(1,205)
Deficit in scheme at end of year	(1,084)

Report of the Independent Auditors

To the members of McKay Securities PLC

We have audited the financial statements on pages 18 to 43. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 12, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 9 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

Basis of audit opinion continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2003 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

16th June 2003
Reading

KPMG Audit Plc
Chartered Accountants
Registered Auditor

McKay Securities PLC
Company Information

Secretary
A. S. Childs

Registered Office
20 Greyfriars Road, Reading
Berkshire RG1 1NL

Registered Number
421479

Registered Auditor
KPMG Audit Plc, Chartered Accountants
Arlington Business Park, Theale, Reading
Berkshire RG7 4SD

Registrar and Transfer Office
Lloyds TSB Registrars
The Causeway, Worthing
West Sussex BN99 6DA

Shareholder Information

Financial calendar	2003
Annual Report posted to shareholders	30th June
Annual General Meeting	29th July
Final ordinary dividend	15th August
Interim announcement	December
Interim Statement posted to shareholders	December
	2004
Interim ordinary dividend	January
Financial year end	March
Preliminary announcement	June

Enquiries relating to shareholders, such as queries concerning notification of change of address, dividend payments and lost share certificates, should be made to the Company's registrars:

Lloyds TSB Registrars
The Causeway, Worthing
West Sussex BN99 6DA
Tel: 01903 502541 Fax: 01903 854031

The best way to ensure that dividends are received as quickly as possible is to instruct the Company's registrars to pay them directly into a bank or building society account; tax vouchers are then mailed to shareholders separately. Dividend mandate forms are available from the registrars. This method also avoids the risk of dividend cheques being delayed or lost in the post.

Financial information about the Company including the Annual and Interim reports, public announcements and share price data are available from UK Equities Direct on the Internet at www.hemscott.com.

Principal Investment Properties
At 16th June 2003

London

EC3	30/32 Lombard Street (3,450 sq.m. offices)
EC3	Portsoken House, 155/157 Minories and 83/86 Aldgate High Street (4,404 sq.m. office and shops)
SE1	Great Surrey House, 203/8 Blackfriars Road (2,000 sq.m. offices)
SW1	1 Castle Lane (1,300 sq.m. offices)
SW1	19 Dacre Street (1,426 sq.m. offices and shops)
SW1	5 Old Queen Street and 6 Storeys Gate (1,539 sq. m. offices)
SW19	Worple Road, Wimbledon (3,568 sq.m. offices and shops)

Provinces

Aldershot	The Arcade and Wellington Street (25 shops and 620 sq.m. offices)
Bicester	McKay Trading Estate (8,147 sq.m. warehouse and offices)
Bristol	Newminster House (2,662 sq.m. offices)
Burnham	Summers Road (374 sq.m. offices)
Chobham	Castle Grove Road (4,645 sq.m. warehouse and offices)
Crawley	Oakwood Trade Park (4,517 sq.m. industrial)
Crawley	Pegasus Place (4,717 sq.m. offices)
Folkestone	3 and 5 Acre Industrial Estates (9,712 sq.m.)
Glasgow	100 Bothwell Street (9,268 sq.m. offices)
Hook	Bartley House (2,050 sq.m. offices)
Newbury	Access House, Strawberry Hill (1,583 sq.m. offices) Albion House, Oxford Road (595 sq.m. offices) Strawberry Hill House, Bath Road (1,155 sq.m. offices)
Petersfield	Paris House (4,605 sq.m. warehouses and offices)
Poyle	McKay Trading Estate (6,712 sq.m. warehouse and offices)
Reading	Great Brighams Mead (7,740 sq.m. offices) 20/38 Greyfriars Road (3,050 sq.m. offices) 103 London Road (836 sq.m. offices) 55/56 St. Mary's Butts (557 sq.m. shop/offices)
Runnymede	Windsor Road (8,300 sq.m. warehouse and offices)
Staines	Mallard Court, Market Square/Clarence Street (2,155 sq.m. offices and 372 sq.m. retail)
Sutton	Chancery House, St. Nicholas Way (5,068 sq.m. offices – 20% interest)
Thatcham	Coombe Square (1,581 sq.m. office park)

McKay Securities PLC

20 Greyfriars Road, Reading, Berkshire RG11NL
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