

DAEJAN

HOLDINGS PLC

*Interim Results Announcement
for the half year ended
30 September 2017*



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INTERIM RESULTS

The Board is pleased to present the Interim Statement for the half year ended 30 September 2017.

	30/9/17	30/9/16	31/9/17
	£000	£000	£000
Profit before tax	56,643	65,112	198,396
Profit after tax	45,474	61,477	162,130
Basic and diluted earnings per share	£2.79	£3.76	£9.93
Equity shareholders' funds per share	£103.28	£95.81	£101.61

- The profit before tax for the period was £56.6 million (2016: £65.1 million) after accounting for the net valuation gain on investment properties of £29.5 million (2016: £38.6 million).
- The property portfolio has been valued by the Directors based on the recommendations of the Group's external advisers and continues to show modest growth in both the UK and USA.
- We continue to see some increase in rental income in the UK and USA. The reduction in the sterling/dollar exchange rate in this period has resulted in USA reported rental income increasing by £1.5 million (2016: £2.4 million).
- Since the Brexit referendum the UK has been dominated by political and economic uncertainty which has led to reduced forecasts for economic growth. This combination of factors will provide a challenging environment for our UK business. In the USA the economic outlook is more encouraging and should provide a positive environment to grow our business.
- The principal risk factors affecting the remainder of the financial year continue to be exposure to movements in the valuation of the Group's investment properties, movements in the sterling/dollar exchange rate and the incidence of voids and bad debts.

INTERIM RESULTS *continued*

- An interim dividend of 35p per share will be paid on 9 March 2018 to shareholders on the register on 9 February 2018.

B S E Freshwater
Chairman
29 November 2017

For further information please contact:

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CONSOLIDATED INCOME STATEMENT

	Unaudited Six months ended 30/9/17 £000	Unaudited Six months ended 30/9/2016 £000	Audited Year ended 31/3/17 £000
<i>for the six months ended 30 September 2017</i>			
Total rental & related income from investment property	71,270	70,214	140,738
Property operating expenses	(38,923)	(38,021)	(75,938)
Net rental & related income from investment property	32,347	32,193	64,800
Profit on disposal of investment property	6,720	7,265	14,594
Net valuation gains on investment property	29,536	38,611	144,508
Administrative expenses	(6,395)	(5,896)	(12,559)
Net operating profit before net financing costs	62,208	72,173	211,343
Fair value gains/(losses) on derivative financial instruments	1,309	(630)	86
Fair value gains on current investments	-	9	-
Other financial income	266	171	499
Financial expenses	(7,140)	(6,611)	(13,532)
Net financing expense	(5,565)	(7,061)	(12,947)
Profit before taxation	56,643	65,112	198,396
Income tax	(11,169)	(3,635)	(36,266)
Profit for the period	45,474	61,477	162,130
Attributable to:			
Equity holders of the parent	45,423	61,284	161,779
Non-controlling interest	51	193	351
Profit for the period	45,474	61,477	162,130
Basic and diluted earnings per share	£2.79	£3.76	£9.93

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six Months ended 30/9/17 £000	Unaudited Six Months ended 30/9/16 £000	Audited Year ended 31/3/17 £000
<i>for the six months ended 30 September 2017</i>			
Profit for the period	45,474	61,477	162,130
Foreign exchange translation differences	(18,101)	20,021	29,076
Total comprehensive income for the period	27,373	81,498	191,206
Attributable to:			
Equity holders of the parent	27,338	81,297	190,845
Non-controlling interest	35	201	361
Total comprehensive income for the period	27,373	81,498	191,206

All other comprehensive income may be reclassified as profit and loss in the future.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>for the six months ended 30 September 2017</i>	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Equity shareholders' funds £000	Non- controlling interest £000	Total equity £000
Balance at 1 April 2016	4,074	555	32,051	1,443,345	1,480,025	69	1,480,094
Profit for the period	-	-	-	161,779	161,779	351	162,130
Foreign exchange translation differences	-	-	29,066	-	29,066	10	29,076
Payments to non-controlling interest	-	-	-	-	-	(190)	(190)
Dividends to equity shareholders	-	-	-	(15,155)	(15,155)	-	(15,155)
Balance at 1 April 2017	4,074	555	61,117	1,589,969	1,655,715	240	1,655,955
Profit for the period	-	-	-	45,423	45,423	51	45,474
Foreign exchange translation differences	-	-	(18,085)	-	(18,085)	(16)	(18,101)
Payments to non-controlling interest	-	-	-	-	-	(194)	(194)
Dividends to equity shareholders	-	-	-	-	-	-	-
Balance at 30 September 2017	4,074	555	43,032	1,635,392	1,683,053	81	1,683,134

CONSOLIDATED BALANCE SHEET

<i>as at 30 September 2017</i>	Unaudited 30/9/17 £000	Unaudited 30/9/16 £000	Audited 31/3/17 £000
Assets			
Investment property	2,262,773	2,117,093	2,256,800
Deferred tax assets	302	539	524
Total non-current assets	2,263,075	2,117,632	2,257,324
Trade and other receivables	70,639	70,700	65,062
Current investments	161	145	162
Cash and cash equivalents	79,917	88,423	84,283
Total current assets	150,717	159,268	149,507
Total assets	2,413,792	2,276,900	2,406,831
Equity			
Share capital	4,074	4,074	4,074
Share premium	555	555	555
Translation reserve	43,032	52,064	61,117
Retained earnings	1,635,392	1,504,629	1,589,969
Total equity attributable to equity holders of the parent	1,683,053	1,561,322	1,655,715
Non-controlling interest	81	84	240
Total equity	1,683,134	1,561,406	1,655,955
Liabilities			
Loans and borrowings	297,535	330,216	303,242
Deferred tax liabilities	295,713	267,578	299,756
Total non-current liabilities	593,248	597,794	602,998
Loans and borrowings	35,669	17,376	49,297
Trade and other payables	54,734	53,644	51,360
Current taxation	47,007	46,680	47,221
Total current liabilities	137,410	117,700	147,878
Total liabilities	730,658	715,494	750,876
Total equity and liabilities	2,413,792	2,276,900	2,406,831
Equity shareholders' funds per share	£103.28	£95.81	£101.61

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>for the six months ended 30 September 2017</i>	Unaudited Six months ended 30/9/17 £000	Unaudited Six months ended 30/9/16 £000	Unaudited Six months ended 30/9/16 £000	Audited Year ended 31/3/17 £000
Cash flows from operating activities				
Net cash generated from operations	25,417	13,486	39,150	39,150
Interest received	266	172	500	500
Interest paid	(7,134)	(6,603)	(13,529)	(13,529)
Tax paid	(4,841)	(2,291)	(7,132)	(7,132)
Net cash from operating activities	13,708	4,764	18,989	18,989
Cash flows from investing activities				
Acquisition and development of investment property	(18,205)	(16,212)	(27,726)	(27,726)
Proceeds from sale of investment property	7,079	7,848	18,242	18,242
Net cash absorbed by investing activities	(11,126)	(8,364)	(9,484)	(9,484)
Cash flows from financing activities				
Repayment of bank loans	(1,362)	(832)	(1,871)	(1,871)
New bank loans and overdrafts	-	-	-	-
Repayment of mortgages	(13,819)	(3,685)	(6,899)	(6,899)
New mortgages	12,005	7,546	8,057	8,057
Dividends paid	-	-	(15,155)	(15,155)
Payments to non-controlling interest	(194)	(186)	(190)	(190)
Net cash (absorbed by)/generated from financing activities	(3,370)	2,843	(16,058)	(16,058)
Net decrease in cash and cash equivalents	(788)	(757)	(6,553)	(6,553)
Cash and cash equivalents brought forward	84,283	84,863	84,863	84,863
Effect of exchange rate fluctuations on cash held	(3,578)	4,317	5,973	5,973
Cash and cash equivalents	79,917	88,423	84,283	84,283

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

This interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 March 2017. The Directors have considered the result of the endorsement by the EU of new or changed International Financial Reporting Standards that are applicable or available for early adoption in the preparation of the Company's next consolidated financial statements for the year ending 31 March 2018 and concluded that they have no material effect on either the current or prior periods.

The Directors have reviewed the current and projected financial position of the Group and are satisfied that the Group has adequate resources to cover current liabilities. Therefore, the Directors continue to adopt the going concern basis in preparing the half year report.

2. Status of the interim financial information

The interim financial information in this statement has not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on review of interim financial information and does not constitute statutory accounts, as defined in section 435 of the Companies Act 2006. The auditors' report on the statutory accounts for the year ended 31 March 2017 was unqualified and did not contain a statement under section 498 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2017 have been delivered to the Registrar of Companies. The interim financial statements were approved by the Board of Directors on 28 November 2017. The preparation of the interim financial information requires management to make assumptions and estimates about future events which are uncertain, the actual outcome of which may result in a materially different outcome from that anticipated.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS *continued***3. Segmental Analysis**

<i>For the six months ended</i>	UK	USA	Eliminations	Total
<i>30 September 2017</i>	£000	£000	£000	£000
Rental and related income	45,602	25,668	-	71,270
Property operating expenses	(25,051)	(13,872)	-	(38,923)
Profit on disposal of property	6,527	193	-	6,720
Net valuation movements on property	24,103	5,433	-	29,536
Administrative expenses	(6,085)	(310)	-	(6,395)
Profit before finance costs	45,096	17,112	-	62,208
Net financing expense	(1,296)	(4,269)	-	(5,565)
Profit before taxation	43,800	12,843	-	56,643
Income tax charge	(6,032)	(5,137)	-	(11,169)
Profit for the period	37,768	7,706	-	45,474
Capital expenditure	15,086	2,866	-	17,952
<i>As at 30 September 2017</i>				
Investment property	1,694,357	568,416	-	2,262,773
Other assets	84,627	77,588	(11,196)	151,019
Total segment assets	1,778,984	646,004	(11,196)	2,413,792
Total segment liabilities	(360,768)	(381,086)	11,196	(730,658)
Capital employed	1,418,216	264,918	-	1,683,134

<i>For the six months ended</i>	<i>UK</i>	<i>USA</i>	<i>Eliminations</i>	<i>Total</i>
<i>30 September 2016</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Rental and related income	46,436	23,778	-	70,214
Property operating expenses	(25,131)	(12,890)	-	(38,021)
Profit/(loss) on disposal of property	7,502	(237)	-	7,265
Net valuation movements on property	36,731	1,880	-	38,611
Administrative expenses	(5,495)	(401)	-	(5,896)
Profit before finance costs	60,043	12,130	-	72,173
Net financing expense	(3,088)	(3,973)	-	(7,061)
Profit before taxation	56,955	8,157	-	65,112
Income tax charge	(1,292)	(2,343)	-	(3,635)
Profit for the period	55,663	5,814	-	61,477
Capital expenditure	13,273	2,939	-	16,212
<i>As at 30 September 2016</i>				
Investment property	1,572,623	544,470	-	2,117,093
Other assets	94,583	76,601	(11,377)	159,807
Total segment assets	1,667,206	621,071	(11,377)	2,276,900
Total segment liabilities	(350,247)	(376,624)	11,377	(715,494)
Capital employed	1,316,959	244,447	-	1,561,406

4. Taxation

The tax charge in the interim statement is in line with the UK statutory rate. The higher rate on our US generated profits is offset by an indexation credit on the UK deferred property valuation gains.

5. Dividends

No dividends were paid in the six months ended 30 September 2017 (six months ended 30 September 2016: £Nil).

6. Investment properties

The Directors have estimated the value of the investment properties at 30 September 2017 after consultation with the Group's advisers. A full valuation of the Group's properties will be carried out by independent professional valuers at 31 March 2018.

7. Financial Instruments – fair value disclosure

The Group seeks to reduce interest rate risk by fixing rates on the majority of its loans and borrowings, either through the use of fixed rate mortgage finance or through interest rate swaps. The Group does not speculate in treasury products.

The Group does not hedge account and all its mortgages and interest rate swaps are initially recognised at fair value. Mortgages are subsequently recorded at amortised cost whilst interest rate

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS *continued*

swaps are subsequently recorded at fair value, with any movement being recorded in the consolidated income statement. The fair values of all these financial instruments are determined by reference to observable inputs that are classified as Level 2 in the fair value hierarchy set out in International Financial Reporting Standard 13 Fair Value Measurement. Fair values have been determined by discounting expected future cash flows using market interest rates and yield curves over the remaining term of the instrument, as adjusted to reflect the credit risk attributable to the Group and, where relevant, its counterparty.

Fair value measurements are as follows:

	<i>Unaudited</i>		<i>Unaudited</i>		<i>Audited</i>	
	<i>30 Sep 2017</i>		<i>30 Sep 2016</i>		<i>31 Mar 2017</i>	
	<i>Book</i>	<i>Fair</i>	<i>Book</i>	<i>Fair</i>	<i>Book</i>	<i>Fair</i>
	<i>Value</i>	<i>Value</i>	<i>Value</i>	<i>Value</i>	<i>Value</i>	<i>Value</i>
	£000	£000	£000	£000	£000	£000
Loans and borrowings	333,204	345,403	347,592	371,301	352,539	367,579
Interest rate swaps	1,775	1,775	3,800	3,800	3,084	3,084
	334,979	347,178	351,392	375,101	355,623	370,663
Current	37,444	38,992	21,176	24,961	52,381	54,661
Non-current	297,535	308,186	330,216	350,140	303,242	316,002
	334,979	347,178	351,392	375,101	355,623	370,663

In both 2017 and 2016 there were no non-recurring fair value measurements and there were no material differences between the fair value and carrying amounts of all the other financial assets of the Group.

8. *Related party transactions*

Day-to-day management of the Group's properties in the UK is mainly carried out by Highdorn Co. Limited and by Freshwater Property Management Limited. Mr BSE Freshwater and Mr SI Freshwater are directors of both companies. They have no beneficial interest in the share capital of Highdorn Co. Limited. Mr BSE Freshwater, Mr SI Freshwater and Mr D Davis are directors of the parent company of Freshwater Property Management Limited but have no beneficial interest in either company. Mr RE Freshwater has a beneficial interest in a trust holding interests in shares in Highdorn Co. Limited.

In their capacity as managing agents, Highdorn Co. Limited and Freshwater Property Management Limited collect rents and incur direct property expenses on behalf of the Group. At 30 September 2017, the aggregate net amounts due to the Group to Highdorn Co. Limited and Freshwater Property Management Limited in relation to such agency receipts and payments was £3.9 million (2016: £1.1 million). These amounts are not secured and are payable on demand. No guarantees have been given or received and the amounts are settled in cash.

The amounts paid by the Group during the period for the provision of property and other management services by Highdorn Co. Limited and Freshwater Property Management Limited were £3.0 million (six months ended 30 September 2016: £3.9 million).

The Board considers that the Directors are the key management personnel of the Group and their remuneration is disclosed in the Daejan Holdings PLC Annual Report for 31 March 2017.

9. Statement of Directors' responsibilities

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors of Daejan Holdings PLC are listed in the Daejan Holdings PLC Annual Report for 31 March 2017. A list of current Directors is maintained on the Daejan Holdings PLC website www.daejanholdings.com.

B S E Freshwater
Chairman
29 November 2017