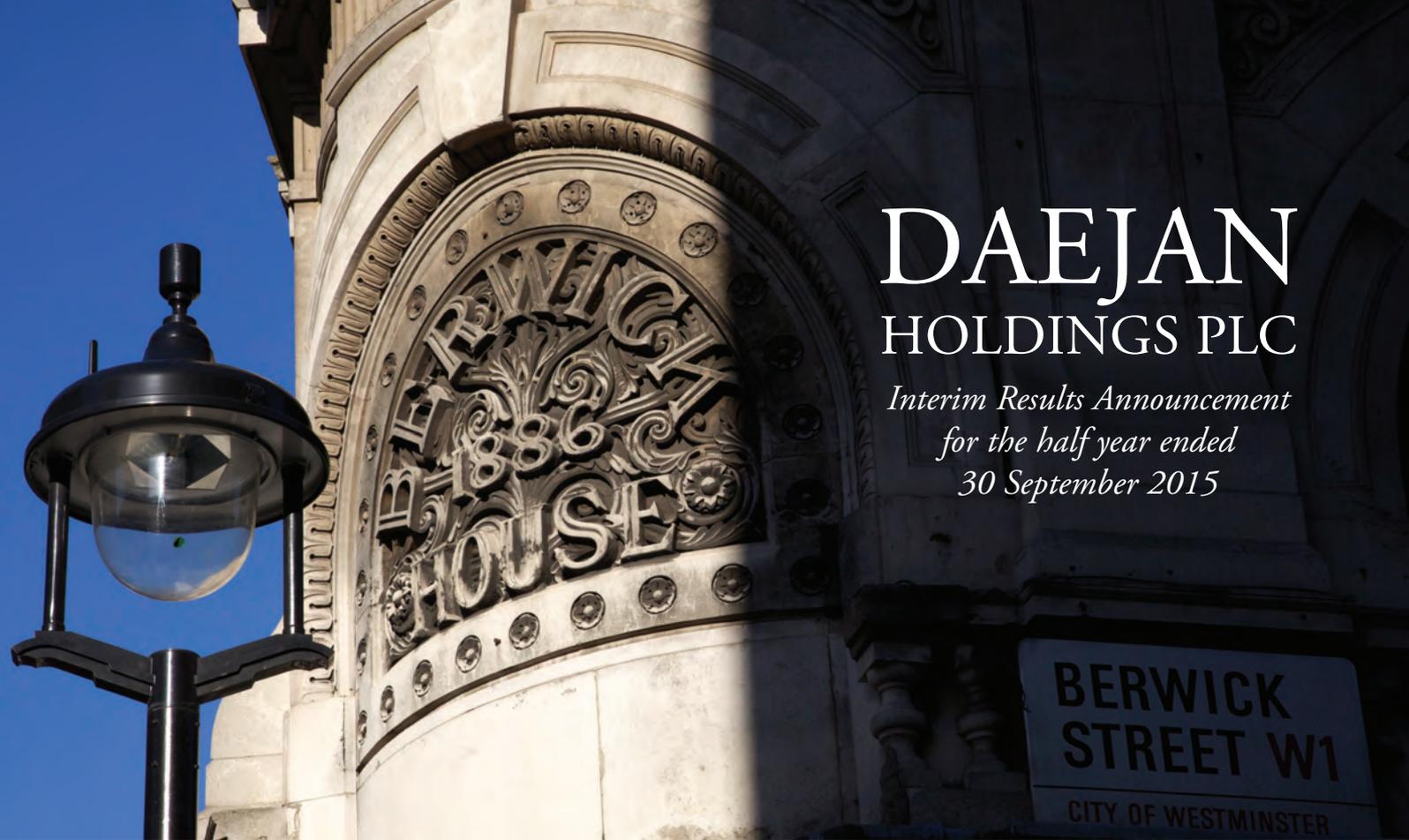


# DAEJAN HOLDINGS PLC

*Interim Results Announcement  
for the half year ended  
30 September 2015*





# DAEJAN HOLDINGS PLC

*Interim Results Announcement  
for the half year ended  
30 September 2015*

## *Interim Results*

The Board is pleased to present the Interim Statement for the half year ended 30 September 2015.

	30/9/15 £000	30/9/14 £000 (Restated*)	31/3/15 £000 (Restated*)
Profit before tax	58,863	135,503	277,539
Profit after tax	45,820	110,460	227,560
Basic and diluted earnings per share	£2.81	£6.77	£13.95
Equity shareholders' funds per share	£85.17	£75.54	£82.59

\* As explained in note 1 to the attached financial information, comparative figures have been restated to reflect the impact of a change in accounting policy for fixed rate loans and borrowings.

- The profit before tax for the period was £58.9 million (2014:£135.5 million) after accounting for the net valuation gain on investment properties of £35.5 million (2014:£107.9 million).
- The property portfolio has been valued by the Directors based on the recommendations of the Group's external advisers. The overall net valuation gain of £35.5 million (2014:£107.9 million) reflects the anticipated slowdown in the rates of growth in property values in both the UK and USA and the absence of the one-off benefit to capital values of the letting of Africa House and the Strand Palace rent review which arose last year.
- Although there appears to have been little movement in gross rental income, once the one-off benefit of £7.9 million arising on the settlement last year of a major rent review is eliminated from the comparative figures it can be seen that there has been an underlying increase (before foreign exchange translation gains) of 6.75%.
- The underlying profit for the period is £23.5 million, down £5.6 million on the previous period largely as a result of a lower level of realised disposal profits.

- In my last annual report I took a cautious view of the outlook and this remains my stance. Whilst economic circumstances at present are relatively benign in both the UK and USA, it seems likely that before long we will see the start of the rise in USA interest rates to be followed in due course by the UK. Nevertheless the business should in the short term continue to benefit from the current favourable combination of low interest rates, low inflation and positive economic growth. We will continue with our proven strategy based on the prudent long term pursuit of growth in asset values.
- 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 and financial instruments and the incidence of voids or bad debts.
- An interim dividend of 35p per share will be paid on 4 March 2016 to shareholders on the register on 5 February 2016.

B S E Freshwater  
Chairman  
25 November 2015

*Consolidated Income Statement*  
*for the six months ended 30 September 2015*

	<b>Unaudited Six months ended 30/9/15 £000</b>	Unaudited Six months ended 30/9/14 £000 (Restated*)	Audited Year ended 31/3/15 £000 (Restated*)
Total rental & related income from investment property	<b>66,220</b>	66,463	128,976
Property operating expenses	<b>(35,282)</b>	(33,966)	(70,041)
Net rental & related income from investment property	<b>30,938</b>	32,497	58,935
Profit on disposal of investment property	<b>3,879</b>	5,962	12,036
Net valuation gains on investment property	<b>35,513</b>	107,882	229,722
Administrative expenses	<b>(6,185)</b>	(5,871)	(11,821)
Net operating profit before net financing costs	<b>64,145</b>	140,470	288,872
Fair value gains on derivative financial instruments	<b>496</b>	320	137
Fair value (losses)/gains on current investments	<b>(10)</b>	1	7
Other financial income	<b>151</b>	160	286
Financial expenses	<b>(5,919)</b>	(5,448)	(11,763)
Net financing expense	<b>(5,282)</b>	(4,967)	(11,333)
Profit before taxation	<b>58,863</b>	135,503	277,539
Income tax	<b>(13,043)</b>	(25,043)	(49,979)
Profit for the period	<b>45,820</b>	110,460	227,560
Attributable to:			
Equity holders of the parent	<b>45,727</b>	110,318	227,395
Non-controlling interest	<b>93</b>	142	165
Profit for the period	<b>45,820</b>	110,460	227,560
Basic and diluted earnings per share	<b>£2.81</b>	£6.77	£13.95

\* See Note 1

*Consolidated Statement of Comprehensive Income*  
*for the six months ended 30 September 2015*

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	<b>Unaudited Six Months ended 30/9/15 £000</b>	Unaudited Six Months ended 30/9/14 £000 (Restated*)	Audited Year ended 31/3/15 £000 (Restated*)
Profit for the period	<b>45,820</b>	110,460	227,560
Foreign exchange translation differences	<b>(3,651)</b>	3,124	14,273
Total comprehensive income for the period	<b>42,169</b>	113,584	241,833
Attributable to:			
Equity holders of the parent	<b>42,077</b>	113,438	241,647
Non-controlling interest	<b>92</b>	146	186
Total comprehensive income for the period	<b>42,169</b>	113,584	241,833

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\* See Note 1

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

## Consolidated Statement of Changes in Equity

### for the six months ended 30 September 2015

	Share capital	Share premium	Translation reserve	Retained earnings	Equity share-holders' funds	Non-controlling interest	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014	4,074	555	12,796	1,093,043	1,110,468	169	1,110,637
Restatement*	-	-	(644)	7,709	7,065	-	7,065
Restated Balance at 1 April 2014	4,074	555	12,152	1,100,752	1,117,533	169	1,117,702
Profit for the year	-	-	-	227,395	227,395	165	227,560
Foreign exchange translation differences	-	-	14,252	-	14,252	21	14,273
Payments to non-controlling interest	-	-	-	-	-	(299)	(299)
Dividends to equity shareholders	-	-	-	(13,362)	(13,362)	-	(13,362)
Balance at 1 April 2015	4,074	555	26,404	1,314,785	1,345,818	56	1,345,874
Profit for the period	-	-	-	45,727	45,727	93	45,820
Foreign exchange translation differences	-	-	(3,650)	-	(3,650)	(1)	(3,651)
Payments to non-controlling interest	-	-	-	-	-	(87)	(87)
Balance at 30 September 2015	4,074	555	22,754	1,360,512	1,387,895	61	1,387,956

\* See Note 1

## Consolidated Balance Sheet

as at 30 September 2015

	<b>Unaudited</b> <b>30/9/15</b> <b>£000</b>	Unaudited 30/9/14 £000 (Restated*)	Audited 31/3/15 £000 (Restated*)
<b>Assets</b>			
Investment property	<b>1,887,248</b>	1,682,323	1,855,230
Deferred tax assets	<b>692</b>	755	792
<b>Total non-current assets</b>	<b>1,887,940</b>	1,683,078	1,856,022
Trade and other receivables	<b>58,192</b>	67,811	55,586
Current investments	<b>165</b>	2,077	187
Cash and cash equivalents	<b>68,454</b>	53,299	52,293
<b>Total current assets</b>	<b>126,811</b>	123,187	108,066
<b>Total assets</b>	<b>2,014,751</b>	1,806,265	1,964,088
<b>Equity</b>			
Share capital	<b>4,074</b>	4,074	4,074
Share premium	<b>555</b>	555	555
Translation reserve	<b>22,754</b>	15,273	26,404
Retained earnings	<b>1,360,512</b>	1,211,070	1,314,785
<b>Total equity attributable to equity holders of the parent</b>	<b>1,387,895</b>	1,230,972	1,345,818
Non-controlling interest	<b>61</b>	47	56
<b>Total equity</b>	<b>1,387,956</b>	1,231,019	1,345,874
<b>Liabilities</b>			
Loans and borrowings	<b>282,161</b>	281,654	285,747
Deferred tax liabilities	<b>239,135</b>	203,622	232,210
<b>Total non-current liabilities</b>	<b>521,296</b>	485,276	517,957
Loans and borrowings	<b>18,449</b>	5,370	18,663
Trade and other payables	<b>45,601</b>	49,069	45,879
Current taxation	<b>41,449</b>	35,531	35,715
<b>Total current liabilities</b>	<b>105,499</b>	89,970	100,257
<b>Total liabilities</b>	<b>626,795</b>	575,246	618,214
<b>Total equity and liabilities</b>	<b>2,014,751</b>	1,806,265	1,964,088
Equity shareholders' funds per share	<b>£85.17</b>	£75.54	£82.59

\* See Note 1

*Consolidated Statement of Cash Flows*  
*for the six months ended 30 September 2015*

	<b>Unaudited Six months ended 30/9/15 £000</b>	<b>Unaudited Six months ended 30/9/14 £000</b>	<b>Audited Year ended 31/3/2015 £000</b>
<b>Cash flows from operating activities</b>			
Net cash generated from operations	21,897	9,786	41,205
Interest received	151	163	289
Interest paid	(5,817)	(5,227)	(11,731)
Payments to non-controlling interest	(87)	(268)	(299)
Tax refund/(paid)	1,684	(257)	(3,383)
<b>Net cash from operating activities</b>	<b>17,828</b>	<b>4,197</b>	<b>26,081</b>
<b>Cash flows from investing activities</b>			
Acquisition and development of investment property	(6,891)	(21,762)	(43,460)
Proceeds from sale of investment property	5,465	8,111	16,772
<b>Net cash absorbed by investing activities</b>	<b>(1,426)</b>	<b>(13,651)</b>	<b>(26,688)</b>
<b>Cash flows from financing activities</b>			
Repayment of bank loans	(651)	(687)	(33,353)
New bank loans and overdrafts	–	5,000	36,611
Repayment of mortgages	(4,669)	(4,389)	(23,793)
New mortgages	5,694	3,161	25,085
Dividends paid	–	–	(13,362)
<b>Net cash generated from/ (absorbed by) financing activities</b>	<b>374</b>	<b>3,085</b>	<b>(8,812)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,776</b>	<b>(6,369)</b>	<b>(9,419)</b>
Cash and cash equivalents brought forward	52,293	59,149	59,149
Effect of exchange rate fluctuations on cash held	(615)	519	2,563
<b>Cash and cash equivalents</b>	<b>68,454</b>	<b>53,299</b>	<b>52,293</b>

## *Notes to the Consolidated Interim Financial Statements for the six months ended 30 September 2015*

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### **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 2015 except as detailed below. As required by the Listing Rules of the Financial Services Authority, 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 2016 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.

During the six month period to 30 September 2015 the Group changed its accounting policy for loans and borrowings. Prior to the change, the Group initially recognised and subsequently recorded fixed rate loans and borrowings at fair value. Following the change, the Group will continue to initially recognise loans and borrowings at fair value, but will subsequently record them at amortised cost.

The Directors believe that the change in accounting policy will be beneficial to users of the financial statements as most, if not all, other large property investment companies in the United Kingdom have adopted this policy. This will provide more reliable and relevant comparisons between the Group's financial position and results with that of other property investment companies.

To maintain consistency between reporting periods, the Group has applied this change retrospectively. The Group has therefore adjusted the comparative figures for the year ended 31 March 2015 and the six months ended 30 September 2014 so that these figures are presented as if the change in accounting policy had always applied.

The impact of the change in policy affects the carrying value of loans and borrowings, the fair value of gains and losses recognised and the associated deferred tax credits and assets.

Loans and borrowings cumulatively decreased by £17,347,000 at 30 September 2015, by £18,380,000 at 31 March 2015, by £12,860,000 at 30 September 2014 and by £11,679,000 at 1 April 2014. Deferred tax assets cumulatively decreased by £5,652,000 at 30 September 2015, by £6,155,000 at 31 March 2015, by £4,666,000 at 30 September 2014 and by £4,614,000 at 1 April 2014. The translation reserve cumulatively decreased by £183,000 at 30 September 2015, by £39,000 at 31 March 2015, by £521,000 at 30 September 2014 and by £644,000 at 1 April 2014. Retained earnings cumulatively increased by £11,879,000 at 30 September 2015, by £12,264,000 at 31 March 2015, by £8,715,000 at 30 September 2014 and by £7,709,000 at 1 April 2014.

The fair value losses on fixed rate loans and borrowings recognised in the consolidated income statement were eliminated in each period. The impact was a loss of £788,000 for the six months ended 30 September 2015, a gain of £5,599,000 for the year ended 31 March 2015 and a gain of £957,000 for the six months ended 30 September 2014. The income tax charge decreased by £403,000 for the six months ended 30 September 2015, increased by £1,045,000 for the year ended 31 March 2015 and decreased by £48,000 for the six months ended 30 September 2014.

## *Notes to the Consolidated Interim Financial Statements*

### *for the six months ended 30 September 2015*

Basic and diluted earnings per share decreased due to the change in the accounting policy by 2 pence for the six months ended 30 September 2015, increased by 27 pence for the year ended 31 March 2015 and increased by 6 pence for the six months ended 30 September 2014.

#### 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 2015 was unqualified and did not contain a statement under section 498 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2015 have been delivered to the Registrar of Companies. The interim financial statements were approved by the Board of Directors on 24 November 2015. 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.

#### 3. Segmental Analysis

	UK £000	USA £000	Eliminations £000	Total £000
<i>For the six months ended 30 September 2015</i>				
Rental and related income	46,465	19,755	-	66,220
Property operating expenses	(23,556)	(11,726)	-	(35,282)
Profit/(loss) on disposal of property	4,126	(247)	-	3,879
Net valuation movements on property	35,513	-	-	35,513
Administrative expenses	(5,807)	(378)	-	(6,185)
Profit before finance costs	56,741	7,404	-	64,145
Net financing expense	(2,058)	(3,224)	-	(5,282)
Profit before taxation	54,683	4,180	-	58,863
Income tax charge	(10,197)	(2,846)	-	(13,043)
Profit for the period	44,486	1,334	-	45,820
Capital expenditure	3,840	3,051	-	6,891
<i>As at 30 September 2015</i>				
Investment property	1,476,441	410,807	-	1,887,248
Other assets	85,336	51,748	(9,581)	127,503
Total segment assets	1,561,777	462,555	(9,581)	2,014,751
Total segment liabilities	(351,740)	(284,636)	9,581	(626,795)
Capital employed	1,210,037	177,919	-	1,387,956

*Notes to the Consolidated Interim Financial Statements  
for the six months ended 30 September 2015*

	UK £000 (Restated*)	USA £000 (Restated*)	Eliminations £000	Total £000 (Restated*)
<i>For the six months ended 30 September 2014</i>				
Rental and related income	48,763	17,700	-	66,463
Property operating expenses	(23,090)	(10,876)	-	(33,966)
Profit/(loss) on disposal of property	6,761	(799)	-	5,962
Net valuation movements on property	102,465	5,417	-	107,882
Administrative expenses	(5,528)	(343)	-	(5,871)
Profit before finance costs	129,371	11,099	-	140,470
Net financing expense	(2,058)	(2,909)	-	(4,967)
Profit before taxation	127,313	8,190	-	135,503
Income tax charge	(21,706)	(3,337)	-	(25,043)
Profit for the period	105,607	4,853	-	110,460
Capital expenditure	20,252	1,510	-	21,762
<i>As at 30 September 2014</i>				
Investment property	1,338,933	343,390	-	1,682,323
Other assets	87,785	44,097	(7,940)	123,942
Total segment assets	1,426,718	387,487	(7,940)	1,806,265
Total segment liabilities	(330,991)	(252,195)	7,940	(575,246)
Capital employed	1,095,727	135,292	-	1,231,019

\* See Note 1

#### 4. Dividends

No dividends were paid in the six months ended 30 September 2015 (six months ended 30 September 2014: £Nil).

#### 5. Investment properties

The Directors have estimated the value of the investment properties at 30 September 2015 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 2016.

#### 6. 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 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

## *Notes to the Consolidated Interim Financial Statements*

### *for the six months ended 30 September 2015*

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:

	<b>Unaudited</b>		Unaudited		Audited	
	<b>30/9/15</b>		30/9/14		31/3/15	
	<b>Book</b>	<b>Fair</b>	Book	Fair	Book	Fair
	<b>Value</b>	<b>Value</b>	Value	Value	Value	Value
	<b>£000</b>	<b>£000</b>	£000	£000	£000	£000
Loans and borrowings	300,610	317,957	287,024	299,884	304,410	322,790
Interest rate swaps	3,462	3,462	3,775	3,775	3,958	3,958
	304,072	321,419	290,799	303,659	308,368	326,748
Current	21,911	25,243	9,145	11,961	22,621	25,796
Non-current	282,161	296,176	281,654	291,698	285,747	300,952
	304,072	321,419	290,799	303,659	308,368	326,748

In both 2015 and 2014 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.

#### **7. 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 2015, the aggregate net amounts due from the Group to Highdorn Co. Limited and Freshwater Property Management Limited in relation to such agency receipts and payments was £0.2 million (2014: £18.5 million due to the Group). 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, not included above, were £2.6 million (six months ended 30 September 2014: £2.1 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 2015.

*Notes to the Consolidated Interim Financial Statements  
for the six months ended 30 September 2015*

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**8. 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 2015. A list of current Directors is maintained on the Daejan Holdings PLC website [www.daejanholdings.com](http://www.daejanholdings.com).

B S E Freshwater  
Chairman  
25 November 2015