

# DAEJAN HOLDINGS PLC

*Interim Results Announcement  
for the half year ended  
30 September 2016*

## *Interim Results*

The Board is pleased to present the Interim Statement for the half year ended 30 September 2016.

	30/9/16 £000	30/9/15 £000	31/3/16 £000
Profit before tax	65,112	58,863	173,242
Profit after tax	61,477	45,820	143,005
Basic and diluted earnings per share	£3.76	£2.81	£8.77
Equity shareholders' funds per share	£95.81	£85.17	£90.82

- The profit before tax for the period was £65.1 million (2015: £58.9 million) after accounting for the net valuation gain on investment properties of £38.6 million (2015: £35.5 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 significant reduction in the sterling/dollar exchange rate in this period has resulted in USA reported rental income increasing by £2.4 million and has, on the balance sheet, produced an overall net translation gain of £20.0 million (2015: £3.7 million loss).
- The tax charge in the period has benefited from a one-off adjustment to the cumulative deferred tax balance following a reduction in the rate of corporation tax.
- My last annual report was written shortly after the decision had been taken for the UK to leave the European Union. Despite some positive short term indicators since that time, it is still far too soon to be able to form a balanced judgement as to what lies ahead for the UK economy as a whole and the property sector in particular. In the USA we now have the uncertainty of a new and largely unknown President whose impact on the USA economy and the property sector cannot be foreseen at this stage. Against this background we will continue to pursue our long term, low risk approach to creating growth in net asset value.

- 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, movements in the sterling/dollar currency rate of exchange and the incidence of voids and bad debts.
- An interim dividend of 35p per share will be paid on 10 March 2017 to shareholders on the register on 10 February 2017.

B S E Freshwater  
Chairman  
23 November 2016

**For further information please contact:**

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Company Secretary  
Daejan Holdings PLC  
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*Consolidated Income Statement*  
*for the six months ended 30 September 2016*

	<b>Unaudited Six months ended 30/9/16 £000</b>	Unaudited Six months ended 30/9/15	Audited Year ended 31/3/16 £000
Total rental & related income from investment property	<b>70,214</b>	66,220	138,197
Property operating expenses	<b>(38,021)</b>	(35,282)	(70,008)
Net rental & related income from investment property	<b>32,193</b>	30,938	68,189
Profit on disposal of investment property	<b>7,265</b>	3,879	11,725
Net valuation gains on investment property	<b>38,611</b>	35,513	117,947
Administrative expenses	<b>(5,896)</b>	(6,185)	(13,041)
Net operating profit before net financing costs	<b>72,173</b>	64,145	184,820
Fair value (losses)/gains on derivative financial instruments	<b>(630)</b>	496	788
Fair value gains/(losses) on current investments	<b>9</b>	(10)	(10)
Other financial income	<b>171</b>	151	336
Financial expenses	<b>(6,611)</b>	(5,919)	(12,692)
Net financing expense	<b>(7,061)</b>	(5,282)	(11,578)
Profit before taxation	<b>65,112</b>	58,863	173,242
Income tax	<b>(3,635)</b>	(13,043)	(30,237)
Profit for the period	<b>61,477</b>	45,820	143,005
Attributable to:			
Equity holders of the parent	<b>61,284</b>	45,727	142,900
Non-controlling interest	<b>193</b>	93	105
Profit for the period	<b>61,477</b>	45,820	143,005
Basic and diluted earnings per share	<b>£3.76</b>	£2.81	£8.77

## *Consolidated Statement of Comprehensive Income*

### *for the six months ended 30 September 2016*

	<b>Unaudited Six months ended 30/9/16 £000</b>	Unaudited Six months ended 30/9/15 £000	Audited Year ended 31/3/16 £000
Profit for the period	<b>61,477</b>	45,820	143,005
Foreign exchange translation differences	<b>20,021</b>	(3,651)	5,649
Total comprehensive income for the period	<b>81,498</b>	42,169	148,654
Attributable to:			
Equity holders of the parent	<b>81,297</b>	42,077	148,547
Non-controlling interest	<b>201</b>	92	107
Total comprehensive income for the period	<b>81,498</b>	42,169	148,654

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 2016*

	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Equity share- holders' funds £000	Non- controlling interest £000	Total equity £000
Balance at 1 April 2015	4,074	555	26,404	1,314,785	1,345,818	56	1,345,874
Profit for the period	-	-	-	142,900	142,900	105	143,005
Foreign exchange translation differences	-	-	5,647	-	5,647	2	5,649
Payments to non-controlling interest	-	-	-	-	-	(94)	(94)
Dividends to equity shareholders	-	-	-	(14,340)	(14,340)	-	(14,340)
Balance at 1 April 2016	4,074	555	32,051	1,443,345	1,480,025	69	1,480,094
Profit for the period	-	-	-	61,284	61,284	193	61,477
Foreign exchange translation differences	-	-	20,013	-	20,013	8	20,021
Payments to non-controlling interest	-	-	-	-	-	(186)	(186)
Dividends to equity shareholders	-	-	-	-	-	-	-
Balance at 30 September 2016	4,074	555	52,064	1,504,629	1,561,322	84	1,561,406

# Consolidated Balance Sheet

as at 30 September 2016

	Unaudited 30/9/16 £000	Unaudited 30/9/15 £000	Audited 31/3/16 £000
<b>Assets</b>			
Investment property	2,117,093	1,887,248	2,009,361
Deferred tax assets	539	692	571
Total non-current assets	2,117,632	1,887,940	2,009,932
Trade and other receivables	70,700	58,192	63,119
Current investments	145	165	159
Cash and cash equivalents	88,423	68,454	84,863
Total current assets	159,268	126,811	148,141
Total assets	2,276,900	2,014,751	2,158,073
<b>Equity</b>			
Share capital	4,074	4,074	4,074
Share premium	555	555	555
Translation reserve	52,064	22,754	32,051
Retained earnings	1,504,629	1,360,512	1,443,345
Total equity attributable to equity holders of the parent	1,561,322	1,387,895	1,480,025
Non-controlling interest	84	61	69
Total equity	1,561,406	1,387,956	1,480,094
<b>Liabilities</b>			
Loans and borrowings	330,216	282,161	306,412
Deferred tax liabilities	267,578	239,135	255,296
Total non-current liabilities	597,794	521,296	561,708
Loans and borrowings	17,376	18,449	15,516
Trade and other payables	53,644	45,601	55,987
Current taxation	46,680	41,449	44,768
Total current liabilities	117,700	105,499	116,271
Total liabilities	715,494	626,795	677,979
Total equity and liabilities	2,276,900	2,014,751	2,158,073
Equity shareholders' funds per share	£95.81	£85.17	£90.82



*Consolidated Statement of Cash Flows*  
for the six months ended 30 September 2016

	Unaudited Six months ended 30/9/16 £000	Unaudited Six months ended 30/9/15 £000	Unaudited Six months ended 30/9/15 £000	Audited Year ended 31/3/16 £000
<b>Cash flows from operating activities</b>				
Net cash generated from operations	13,486	21,897	61,529	
Interest received	172	151	336	
Interest paid	(6,603)	(5,817)	(12,598)	
Payments to non-controlling interest	(186)	(87)	(94)	
Tax (paid)/refund	(2,291)	1,684	(772)	
<b>Net cash from operating activities</b>	<b>4,578</b>	<b>17,828</b>	<b>48,401</b>	
<b>Cash flows from investing activities</b>				
Acquisition and development of investment property	(16,212)	(6,891)	(26,939)	
Proceeds from sale of investment property	7,848	5,465	12,807	
<b>Net cash absorbed by investing activities</b>	<b>(8,364)</b>	<b>(1,426)</b>	<b>(14,132)</b>	
<b>Cash flows from financing activities</b>				
Repayment of bank loans	(832)	(651)	(1,302)	
New bank loans and overdrafts	-	-	-	
Repayment of mortgages	(3,685)	(4,669)	(21,341)	
New mortgages	7,546	5,694	34,379	
Dividends paid	-	-	(14,340)	
<b>Net cash generated from/ (absorbed by) financing activities</b>	<b>3,029</b>	<b>374</b>	<b>(2,604)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(757)</b>	<b>16,776</b>	<b>31,665</b>	
Cash and cash equivalents brought forward	84,863	52,293	52,293	
Effect of exchange rate fluctuations on cash held	4,317	(615)	905	
<b>Cash and cash equivalents</b>	<b>88,423</b>	<b>68,454</b>	<b>84,863</b>	

## *Notes to the Consolidated Interim Financial Statements for the six months ended 30 September 2016*

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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 2016. 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 2017 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 2016 was unqualified and did not contain a statement under section 498 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2016 have been delivered to the Registrar of Companies. The interim financial statements were approved by the Board of Directors on 22 November 2016. 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*  
for the six months ended 30 September 2016

**3. Segmental Analysis**

	UK £000	USA £000	Eliminations £000	Total £000
<i>For the six months ended 30 September 2016</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

# Notes to the Consolidated Interim Financial Statements

## for the six months ended 30 September 2016

	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

### 4. Taxation

The tax charge in the interim statement has benefited from a one off credit of £7.7 million arising from the enactment of a reduction in the future UK corporation tax rate from 18% to 17% (effective 1 April 2020) which has reduced our cumulative net deferred tax liabilities. The tax charge for year ending 31 March 2016 benefited from a one off credit of £13.8 million arising from the enactment of a reduction in the future UK corporation tax rate from 20% to 18%.

### 5. Dividends

No dividends were paid in the six months ended 30 September 2016 (six months ended 30 September 2015: £Nil).

### 6. Investment properties

The Directors have estimated the value of the investment properties at 30 September 2016 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 2017.

### 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.

## *Notes to the Consolidated Interim Financial Statements*

### *for the six months ended 30 September 2016*

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 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>		<b>Unaudited</b>		<b>Audited</b>	
	<b>30/9/16</b>		<b>30/9/15</b>		<b>31/3/16</b>	
	<b>Book</b>	<b>Fair</b>	<b>Book</b>	<b>Fair</b>	<b>Book</b>	<b>Fair</b>
	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans and borrowings	347,592	371,301	300,610	317,957	321,928	342,156
Interest rate swaps	3,800	3,800	3,462	3,462	3,170	3,170
	351,392	375,101	304,072	321,419	325,098	345,326
Current	21,176	24,961	21,911	25,243	18,686	22,108
Non-current	330,216	350,140	282,161	296,176	306,412	323,218
	351,392	375,101	304,072	321,419	325,098	345,326

In both 2016 and 2015 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 2016, the aggregate net amounts due to the Group from Highdorn Co. Limited and Freshwater Property Management Limited in relation to such agency receipts and payments was £1.1 million (2015: £0.2 million due from 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 were £3.9 million (six months ended 30 September 2015: £2.6 million).

## *Notes to the Consolidated Interim Financial Statements for the six months ended 30 September 2016*

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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 2016.

### **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 2016. 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  
23 November 2016