**12 July 2017**

**DAEJAN HOLDINGS PLC**

**UNAUDITED PRELIMINARY RESULTS ANNOUNCEMENT for the year ended 31 March 2017**

The Chairman, Mr B S E Freshwater, today announced Preliminary Results for the year to 31 March 2017.

The financial highlights for the year ended 31 March 2017 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2017** |  | **2016** |  |
|  | **£000** |  | **£000** |  |
|  |  |  |  |  |
| Investment property | 2,256,800 |  | 2,009,361  |  |
| Net rental and related income from investment property |   64,800 |  | 68,189 |   |
| Profit before taxation | 198,396 |  | 173,242 |  |
| Total equity | 1,655,955 |  | 1,480,094 |  |
| Equity shareholders’ funds per share | £101.61 |  | £90.82 |  |
| Earnings per share | £9.93 |  | £8.77 |  |
|  |  |  |  |  |
|  |  |  |  |  |

The revaluation of the investment property portfolio at the year end has resulted in a net valuation surplus for the year of £144,508,000 (2016 - £117,947,000). The board has recommended a final dividend of 63p per share in respect of the year ended 31 March 2017 payable on 10 November 2017 to shareholders on the register on 13 October 2017. This will make a total dividend for the year of 98p (2016 – 93p).

Earnings per share is calculated by reference to profit on ordinary activities after taxation attributable to equity holders of the parent of £161,779,000 (2016 - £142,900,000) and 16,295,357 (2016 – 16,295,357) ordinary shares being the weighted average number of ordinary shares in issue during the year. Equity shareholders’ funds per share is calculated by reference to total equity attributable to equity holders of the parent of £1,655,715,000 (2016 - £1,480,025,000) and the ordinary shares detailed above.

Daejan Holdings PLC is pleased to announce the following appointments as non-executive directors :

Mr Sander Srulowitz, senior partner of Sonnenschein, Sherman & Deutsch, a New York law firm specialising in property law. Daejan now holds approximately 25% of its assets in the United States and will welcome Mr Srulowitz’s wide experience in USA property matters.

Mr Chaim B. Freshwater, who is the son of Mr S. I. Freshwater and currently lectures at a London college. His appointment is a further step in our succession planning.

**DAEJAN HOLDINGS PLC**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2017**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Year** |  | Year |
|  | **ended** |  | ended |
|  | **31 March** |  | 31 March  |
|  | **2017** |  | 2016 |
|  | **£000** |  | £000 |
|  |  |  |  |
|  |  |  |  |
| Gross rental income | **125,522** |  | 117,733 |
| Service charge income | **15,216** |  | 20,464 |
| **Total rental and related income from investment property** | **140,738** |  | 138,197 |
|  |  |  |  |
| Property operating expenses | **(75,938)** |  | (70,008) |
| **Net rental and related income from investment property** | **64,800** |  | 68,189 |
|  |  |  |  |
| **Profit on disposal of investment property** | **14,594** |  | 11,725 |
| **Net valuation gains on investment property** | **144,508** |  | 117,947 |
| **Administrative expenses** | **(12,559)** |  | (13,041) |
| **Net operating profit before net financing costs** | **211,343** |  | 184,820 |
|  |  |  |  |
| Fair value gains on derivative financial instruments | **86** |  |  788  |
| Fair value losses on current investments | **-** |  |  (10)  |
| Other financial income | **499** |  | 336 |
| Financial expenses | **(13,532)** |  | (12,692) |
| **Net financing costs** | **(12,947)** |  | (11,578) |
|  |  |  |  |
| **Profit before taxation** | **198,396** |  | 173,242 |
| **Income tax**  | **(36,266)** |  | (30,237) |
| **Profit for the year** | **162,130** |  | 143,005 |
|  |  |  |  |
| **Attributable to:–** |  |  |  |
| Equity holders of the parent | **161,779** |  | 142,900 |
| Non-controlling interest | **351** |  | 105 |
| **Profit for the year** | **162,130** |  | 143,005 |
|  |  |  |  |
| **Basic and diluted earnings per share** | **£9.93** |  | £8.77 |

**DAEJAN HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2017**

|  |  |  |
| --- | --- | --- |
|  | **Year ended** | Year ended |
|  | **31 March** | 31 March |
|  | **2017**  | 2016  |
|  | **£000**  | £000  |
|  |  |  |
|  |  |  |
| Profit for the year  | **162,130** | 143,005 |
| Foreign exchange translation differences  | **29,076** | 5,649  |
| Total comprehensive income for the year  | **191,206** | 148,654 |
|  |  |  |
| Attributable to:  |  |  |
| Equity holders of the parent  | **190,845** | 148,547  |
| Non-controlling interest  | **361** | 107  |
| Total comprehensive income for the year  | **191,206** | 148,654  |

**DAEJAN HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31MARCH 2017**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Issued share capital | Share premium  | Translation reserve |  Retained earnings | Equity shareholders’ funds | Minority interest | Total equity |
|  | £000  | £000  | £000  | £000  | £000  | £000  | £000  |
|  |  |  |  |  |  |  |  |
| Balance at 1 April 2015 | 4,074 | 555  | 26,404  | 1,314,785  | 1,345,818  | 56  | 1,345,874  |
| Profit for the year  | - | - | - | 142,900  | 142,900  | 105  | 143,005  |
| Foreign exchange translation differences | **-** | - |  5,647 | - | 5,647  | 2  | 5,649  |
| Distributions to minority interest  | - | - | - | - | - |  (94) | (94)  |
| Dividends to equity shareholders  | - | - | - | (14,340)  | (14,340)  | - | (14,340)  |
| Balance at 31 March 2016 |  4,074 | 555  | 32,051  | 1,443,345  | 1,480,025  | 69  | 1,480,094 |
| Profit for the year  | - | - | - | 161,779 | 161,779 | 351 | 162,130 |
| Foreign exchange translation differences | - | - | 29,066 | - | 29,066 | 10 | 29,076 |
| Distributions to minority interest  | - | - | - | - | - | (190) | (190) |
| Dividends to equity shareholders  | - | - | - | (15,155) | (15,155) | - | (15,155) |
| Balance at 31 March 2017 |  4,074 | 555  | 61,117  | 1,589,969  | 1,655,715  | 240  | 1,655,955 |

**DAEJAN HOLDINGS PLC**

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **31 March** |  | 31 March |
|  | **2017** |  | 2016 |
|  | **£000** |  | £000 |
|  |  |  |  |
| **Assets** |  |  |  |
| Investment property | **2,256,800** |  | 2,009,361 |
| Deferred tax assets | **524** |  | 571 |
| Total non-current assets | **2,257,324** |  | 2,009,932 |
|  |  |  |  |
| Trade and other receivables | **65,062** |  | 63,119 |
| Current investments | **162** |  | 159 |
| Cash and cash equivalents | **84,283** |  | 84,863 |
| Total current assets | **149,507** |  | 148,141 |
| **Total assets** | **2,406,831** |  | 2,158,073 |
|  |  |  |  |
| **Equity** |  |  |  |
| Share capital | **4,074** |  | 4,074 |
| Share premium | **555** |  |  555 |
| Translation reserve | **61,117** |  | 32,051 |
| Retained earnings | **1,589,969** |  | 1,443,345 |
| Total equity attributable to equity holders of the parent | **1,655,715** |  | 1,480,025 |
| Non-controlling interest | **240** |  |  69  |
| **Total equity** | **1,655,955** |  | 1,480,094 |
|  |  |  |  |
| **Liabilities** |  |  |  |
| Loans and borrowings | **303,242** |  | 306,412 |
| Deferred tax liabilities | **299,756** |  | 255,296 |
| Total non-current liabilities | **602,998** |  | 561,708 |
|  |  |  |  |
|  |  |  |  |
| Loans and borrowings | **49,297** |  | 15,516 |
| Trade and other payables | **51,360** |  | 55,987 |
| Current taxation | **47,221** |  | 44,768 |
| Total current liabilities | **147,878** |  | 116,271 |
| **Total liabilities** | **750,876** |  | 677,979 |
| **Total equity and liabilities** | **2,406,831** |  | 2,158,073 |

**DAEJAN HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 MARCH 2017**

|  |  |  |
| --- | --- | --- |
|  | **Year** | Year |
|  | **ended** | ended |
|  | **31 March** | 31 March |
|  | **2017** | 2016 |
|  | **£000** | **£000** | £000 | £000 |
| **Cash flows from operating activities** |  |  |  |  |
| Cash receipts from rent and service charges | **135,926** |  | 141,487 |  |
| Cash paid to suppliers and employees | **(96,776)** |  | (79,958) |  |
| Cash generated from operations | **39,150** |  | 61,529 |  |
| Interest received | **500** |  | 336 |  |
| Interest paid | **(13,529)** |  | (12,598) |  |
| Tax paid | **(7,132)** |  | (772) |  |
| Net cash from operating activities |  | **18,989** |   | 48,495 |
|  |  |  |  |  |
| **Cash flows from investing activities** |  |  |  |  |
| Acquisition and development of investment property | **(27,726)** |  | (26,939) |  |
| Proceeds from sale of investment property | **18,242** |  | 12,807 |  |
| Net cash absorbed by investing activities |  | **(9,484)** |  | (14,132) |
|  |  |  |  |  |
| **Cash flows from financing activities** |  |  |  |  |
| Repayment of bank loans  | **(1,871)** |  | (1,302) |  |
| New bank loans  | **-** |   | - |  |
| Repayment of mortgages  | **(6,899)** |  | (21,341) |  |
| New mortgages  | **8,057** |  | 34,379 |  |
| Dividends paid to equity holders of the parentPayments to non-controlling interest | **(15,155)****(190)** |  | (14,340)(94) |  |
| Net cash absorbed by financing activities |  | **(16,058)** |  | (2,698) |
|  |  |  |  |  |
| Net (decrease)/increase in cash and cash equivalents |  | **(6,553)** |  | 31,665 |
| Cash and cash equivalents brought forward |  | **84,863** |  | 52,293 |
| Effect of exchange rate fluctuations on cash held |  | **5,973** |   | 905 |
| **Cash and cash equivalents** |  | **84,283** |  | 84,863 |

**DAEJAN HOLDINGS PLC**

Notes

1. The financial information set out in this Preliminary Announcement does not constitute the Company’s statutory accounts for the years ended 31 March 2017 or 2016. The financial information for 2016 is derived from the statutory accounts for 2016 which have been delivered to the Registrar of Companies. The Auditors have reported on the 2016 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The statutory accounts for 2017 will be finalised on the basis of the financial information presented by the Directors in this Preliminary Announcement and using policies consistent in all material respects with the policies applied in the Company’s statutory accounts for 2016, as set out in those accounts as delivered to the Registrar of Companies. The statutory accounts for 2017 will be delivered to the Registrar of Companies following the Company’s next Annual General Meeting.
2. Significant judgements and estimates

In preparing the financial information the Group must make a number of judgements and estimates. Management consider the following judgements and estimates to be particularly significant because of the level of complexity, judgement or estimation involved in their application and their impact on the financial information.

1. Property valuations

The valuation of the Group’s property portfolio is inherently subjective, depending on many factors, including the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions. Therefore the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of difficult market or economic conditions following the EU Referendum and UK general election. All the Group’s properties are valued by external valuers with appropriate qualifications and experience.

In the UK the aggregate amount of the valuation is £1,668,630,000 at 31 March 2017 and in the US the aggregate amount of the valuation is £602,466,000 at 31 March 2017. Both are based on the open market values assessed in accordance with professional standards. The aggregate professional valuations included in the balance sheet have been reduced by an amount of £14,296,000 relating to lease incentives included in Trade and other receivables.

1. Income taxes

The tax treatment of some transactions and calculations cannot be determined until a formal resolution has been reached with the relevant tax authorities. In particular, the Group is discussing the treatment of historical financing arrangements with tax authorites. In such cases, a best estimate of the relevant tax charge or credit is made, having regard to the extent of uncertainties associated with it. Where the final outcome of such matters is different from amounts initially recorded, those differences will be reflected in the income and deferred tax amounts at the time of the formal resolution.

Additionally, judgement has been exercised in relation to the recognition of deferred tax assets where the utilisation of the underlying tax losses is uncertain. Such resolution can take a long time to achieve due to the complexity of tax legislation.

1. Segmental Analysis

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **UK** | **USA** | **Eliminations** | **Total** |
| *For the year ended 31 March 2017* | **£000** | **£000** | **£000** | **£000** |
| Rental and related income | 91,859 | 48,879 | - | 140,738 |
|  |  |  |  |  |
| Property operating expenses | (48,334) | (27,604) | - | (75,938) |
|  |  |  |  |  |
| Profit on disposal of property | 14,204 | 390 | - | 14,594 |
|  |  |  |  |  |
| Net valuation movements on property | 109,987 | 34,521 | - | 144,508 |
|  |  |  |  |  |
| Administrative expenses | (11,782) | (777) | - | (12,559) |
|  |  |  |  |  |
| Profit before finance costs | 155,934 | 55,409 | - | 211,343 |
|  |  |  |  |  |
| Net financing expense | (4,952) | (7,995) | - | (12,947) |
|  |  |  |  |  |
| Profit before taxation | 150,982 | 47,414 | - | 198,396 |
|  |  |  |  |  |
| Income tax charge | (17,028) | (19,238) | - | (36,266) |
|  |  |  |  |  |
| Profit for the year | 133,954 | 28,176 | - | 162,130 |
|  |  |  |  |  |
| Capital expenditure | 23,322 | 6,856 | - | 30,178 |
| *As at 31 March 2017* |  |  |  |  |
| Investment property | 1,655,922 | 600,878 | - | 2,256,800 |
| Other assets | 82,730 | 79,205 | (11,904) | 150,031 |
| Total segment assets | 1,738,652 | 680,083 | (11,904) | 2,406,831 |
| Total segment liabilities | (359,078) | (403,702) |  11,904 | (750,876) |
| Capital employed | 1,379,574 | 276,381 | - | 1,655,955 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **UK** | **USA** | **Eliminations** | **Total** |
| *For the year ended 31 March 2016* | **£000** | **£000** | **£000** | **£000** |
| Rental and related income | 97,079 | 41,118 | - | 138,197 |
|  |  |  |  |  |
| Property operating expenses | (46,390) | (23,618) | - | (70,008) |
|  |  |  |  |  |
| Profit on disposal of property | 11,352 | 373 | - | 11,725 |
|  |  |  |  |  |
| Net valuation movements on property | 75,829 | 42,118 | - | 117,947 |
|  |  |  |  |  |
| Administrative expenses | (12,341) | (700) | - | (13,041) |
|  |  |  |  |  |
| Profit before finance costs | 125,529 | 59,291 | - | 184,820 |
|  |  |  |  |  |
| Net financing expense | (4,306) | (7,272) | - | (11,578) |
|  |  |  |  |  |
| Profit before taxation | 121,223 | 52,019 | - | 173,242 |
|  |  |  |  |  |
| Income tax charge | (9,688) | (20,549) | - | (30,237) |
|  |  |  |  |  |
| Profit for the year | 111,535 | 31,470 | - | 143,005 |
|  |  |  |  |  |
| Capital expenditure | 11,065 | 15,874 | - | 26,939 |
| *As at 31 March 2016* |  |  |  |  |
| Investment property | 1,522,621 | 486,740 | - | 2,009,361 |
| Other assets | 98,125 | 60,761 | (10,174) | 148,712 |
| Total segment assets | 1,620,746 | 547,501 | (10,174) | 2,158,073 |
| Total segment liabilities | (361,923) | (326,230) | 10,174 | (677,979) |
| Capital employed | 1,258,823 | 221,271 | - | 1,480,094 |
|  |  |  |  |  |

1. Taxation

The Group’s overall effective tax rate was 18.3% (2016 – 17.5%). In the UK, the effective tax rate was 11.3% (2016 – 8.0%); 2016 benefited from a reduction in the rate of future deferred tax from 20% to 18%. A further, but smaller, reduction of the future deferred tax rate from 18% to 17% took place in 2017(effective 1 April 2020). In the USA, the effective rate has remained consistent and in line with the statutory rate at 40.6% (2016 – 39.5%).

1. Dividends

Dividends of £15.2m (2016:£14.3m) were paid in the year ended 31 March 2017.

1. Investment Properties

A full valuation of the Group’s properties has been carried out by individual professional valuers at 31 March 2017.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | 2016 |
|  | **£000** |  | £000 |
| Opening valuation | **2,009,361** |  | 1,855,230 |
| New acquisitions | **472** |  | 10,380 |
| Additions to existing properties | **29,706** |  | 16,559 |
| Disposals | **(1,192)** |  | (3,682) |
|  | **2,038,347** |  | 1,878,487 |
| Revaluation gain | **144,508** |  | 117,947 |
| Foreign exchange gain | **73,945** |  | 12,927 |
| Closing valuation | **2,256,800** |  | 2,009,361 |

1. 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 the 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 interest rate swaps are initially recognised and subsequently recorded at fair value, with any movement being recorded in the consolidated income statement. The fair values of all interest rate swaps and fixed rate loans 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.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Unaudited** |  | **Audited** |
|  | **31 March 2017** |  | **31 March 2016** |
|  | **Book Value**  | **Fair Value**  |  | **Book Value**  | **Fair Value**  |
|  | **£000** | **£000** |  | **£000** | **£000** |
| Loans and borrowings | 352,539 | 366,968 |  | 321,928 | 342,156 |
| Interest rate swaps | 3,084 | 3,084 |  | 3,170 | 3,170 |
|  | 355,623 | 370,052 |  | 325,098 | 345,326 |
|  |  |  |  |  |  |
| Current | 52,381 | 54,551 |  | 18,686 | 22,108 |
| Non-current | 303,242 | 315,501 |  | 306,412 | 323,218 |
|  | 355,623 | 370,052 |  | 325,098 | 345,326 |

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.

1. Related party transactions

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

In their capacity as property managing agents, Highdorn and FPM collect rents and incur direct property expenses on behalf of the Group. At 31 March 2017, the aggregate net amount due to the Group from Highdorn and FPM was £6.6 million (2016 - £7.7 million due to Highdorn and FPM). 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 amount charged to the Group for the provision of property and other management services by Highdorn and FPM for the year ended 31 March 2017 was £4.5 million (2016 - £4.0 million).

1. The Annual General Meeting will be held at 2:00 pm on Tuesday 12 September 2017 in The Grand Saloon, Theatre Royal, Drury Lane, Catherine Street, London WC2B 5JF.

For further information call:

Mark Jenner

Company Secretary

Daejan Holdings PLC

020 7836 1555

Nick Oborne

Weber Shandwick Financial

020 7067 0700