

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

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

* See Note 1

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

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

* 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 £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 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

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

* See Note 1

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

| | Unaudited Six months ended 30/9/15 £000 | Unaudited Six months ended 30/9/14 £000 | Audited Year ended 31/3/2015 £000 |
|--|--|--|--|
| Cash flows from operating activities | | | |
| 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) |
| Net cash from operating activities | 17,828 | 4,197 | 26,081 |
| Cash flows from investing activities | | | |
| Acquisition and development of investment property | (6,891) | (21,762) | (43,460) |
| Proceeds from sale of investment property | 5,465 | 8,111 | 16,772 |
| Net cash absorbed by investing activities | (1,426) | (13,651) | (26,688) |
| Cash flows from financing activities | | | |
| 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) |
| Net cash generated from/ (absorbed by) financing activities | 374 | 3,085 | (8,812) |
| Net increase/(decrease) in cash and cash equivalents | 16,776 | (6,369) | (9,419) |
| Cash and cash equivalents brought forward | 52,293 | 59,149 | 59,149 |
| Effect of exchange rate fluctuations on cash held | (615) | 519 | 2,563 |
| Cash and cash equivalents | 68,454 | 53,299 | 52,293 |

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

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 | USA | Eliminations | Total |
|---------------------------------------|-----------|-----------|--------------|-----------|
| | £000 | £000 | £000 | £000 |
| <i>For the six months ended</i> | | | | |
| <i>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:

| | Unaudited | | Unaudited | | Audited | |
|----------------------|------------------|----------------|----------------|----------------|----------------|----------------|
| | 30/9/15 | | 30/9/14 | | 31/3/15 | |
| | Book | Fair | Book | Fair | Book | Fair |
| | Value | Value | Value | Value | Value | Value |
| | £000 | £000 | £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*

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.

B S E Freshwater
Chairman
25 November 2015