

DAEJAN HOLDINGS PLC

*Interim Results Announcement
for the half year ended
30 September 2013*



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Interim Results

The Board is pleased to present the Interim Statement for the half year ended 30 September 2013.

	30/9/13	30/9/12	31/3/13
	£000	£000	£000
Profit before tax	76,533	23,266	111,683
Profit after tax	72,856	22,211	89,760
Basic and diluted earnings per share	£4.45	£1.36	£5.50
Equity shareholders' funds per share	£64.49	£56.78	£60.44

*See Note 1

- The profit before tax for the period was £76.5 million (2012: £23.3 million) after accounting for the net valuation gain on investment properties of £47.7 million (2012: £11.4 million) and valuation gains on financial instruments of £8.5 million (2012: £3.0 million losses). There was an increase of 4.1% in gross rental income and the underlying net profit before tax, i.e. excluding net valuation movements, was £20.4 million (2012: £14.8 million).
- The property portfolio has been valued by the Directors based on the recommendations of the Group's external advisors. The overall net valuation gain of £47.7 million (2012: £11.4 million) reflects net gains in both the UK and USA portfolios. In the UK, London residential property continues to perform strongly and there is now beginning to be some evidence of improvement in the wider Home Counties residential market and further afield. London commercial property has shown signs of yield and rental improvement, though there continues to be pressure on provincial office property, particularly in the secondary market. In the USA, our New York properties continue to perform well and our Boston properties have also seen encouraging growth.
- The redevelopment of Africa House, WC2 was completed in the period and was formally launched to the market in November, generating an encouraging level of letting interest.
- 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.
- During this period, the UK has joined the USA with early signs of returning confidence and growth. However, the recovery remains fragile and the commercial lettings market continues to be challenging. We believe that our long term, prudent approach of maintaining a strong balance sheet with relatively low gearing continues to be appropriate in present times and in this context we remain confident that the Group will continue to progress.
- Whilst for many years we have pursued a policy of steady increases in the total annual dividend, the interim payment has remained constant. The Directors now consider that it is appropriate to increase the proportion of the total dividend paid as an interim distribution. This should not, however, be taken as any indication of an increase in the total dividend in respect of the current financial year. Accordingly an interim dividend of 35p per share will be paid on 7 March 2014 to shareholders on the register on 7 February 2014.

B S E Freshwater
Chairman
26 November 2013

Consolidated Income Statement for the six months ended 30 September 2013

	Unaudited Six months ended 30/9/13 £000	Unaudited Six months ended 30/9/12 (Restated*) £000	Audited Year ended 31/3/13 £000
Total rental & related income from investment property	56,197	53,301	111,037
Property operating expenses	(33,486)	(32,451)	(67,017)
Net rental & related income from investment property	22,711	20,850	44,020
Profit on disposal of investment property	8,279	4,248	6,612
Net valuation gains on investment property	47,672	11,440	82,694
Administrative expenses	(5,069)	(5,238)	(10,936)
Net operating profit before net financing costs	73,593	31,300	122,390
Fair value gains/(losses) on fixed rate loans and borrowings	6,763	(2,281)	(36)
Fair value gains/(losses) on derivative financial instruments	1,729	(704)	(321)
Fair value (losses)/gains on current investments	(2)	(1)	8
Other financial income	338	301	740
Financial expenses	(5,888)	(5,349)	(11,098)
Net financing credits/(costs)	2,940	(8,034)	(10,707)
Profit before taxation	76,533	23,266	111,683
Income tax	(3,677)	(1,055)	(21,923)
Profit for the period	72,856	22,211	89,760
Attributable to :			
Equity holders of the parent	72,560	22,156	89,601
Minority interest	296	55	159
Profit for the period	72,856	22,211	89,760
Basic and diluted earnings per share	£4.45	£1.36	£5.50

* See Note 1

*Consolidated Statement of Other Comprehensive Income
for the six months ended 30 September 2013*

	Unaudited Six Months ended 30/9/13 £000	Unaudited Six Months ended 30/9/12 (Restated*) £000	Audited Year ended 31/3/13 £000
Profit for the period	72,856	22,211	89,760
Foreign exchange translation differences	(6,516)	(760)	3,847
Total comprehensive income for the period	66,340	21,451	93,607
Attributable to:			
Equity holders of the parent	66,044	21,396	93,448
Minority interest	296	55	159
Total comprehensive income for the period	66,340	21,451	93,607

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 2013*

	Issued share capital £000	Share premium account £000	Translation reserve £000	Retained earnings £000	Equity share holders' funds £000	Minority interest £000	Total equity £000
Balance at 1 April 2012	4,074	555	18,620	880,557	903,806	318	904,124
Profit for the year	-	-	-	89,601	89,601	159	89,760
Foreign exchange translation differences	-	-	3,847	-	3,847	-	3,847
Movements in minority interest	-	-	-	-	-	(394)	(394)
Dividends to equity shareholders	-	-	-	(12,384)	(12,384)	-	(12,384)
Balance at 1 April 2013	4,074	555	22,467	957,774	984,870	83	984,953
Profit for the period	-	-	-	72,560	72,560	296	72,856
Foreign exchange translation differences	-	-	(6,516)	-	(6,516)	-	(6,516)
Movements in minority interest	-	-	-	-	-	(306)	(306)
Dividends to equity shareholders	-	-	-	-	-	-	-
Balance at 30 September 2013	4,074	555	15,951	1,030,334	1,050,914	73	1,050,987

* See Note 1

Consolidated Balance Sheet as at 30 September 2013

	Unaudited 30/9/13 £000	Unaudited 30/9/12 (Restated*) £000	Audited 31/3/13 £000
Assets			
Investment property	1,452,159	1,273,463	1,407,544
Deferred tax assets	5,143	9,227	8,741
Total non-current assets	1,457,302	1,282,690	1,416,285
Trade and other receivables	50,343	50,911	43,150
Current investments	237	217	236
Cash and cash equivalents	51,390	54,858	63,513
Total current assets	101,970	105,986	106,899
Total assets	1,559,272	1,388,676	1,523,184
Equity			
Share capital	4,074	4,074	4,074
Share premium	555	555	555
Translation reserve	15,951	17,860	22,467
Retained earnings	1,030,334	902,713	957,774
Total equity attributable to equity holders of the parent	1,050,914	925,202	984,870
Minority interest	73	172	83
Total equity	1,050,987	925,374	984,953
Liabilities			
Loans and borrowings	249,545	210,872	268,943
Deferred tax liabilities	165,990	151,030	174,017
Total non-current liabilities	415,535	361,902	442,960
Bank overdrafts	3	-	-
Loans and borrowings	9,683	20,124	18,256
Trade and other payables	44,259	46,009	41,844
Current taxation	38,805	35,267	35,171
Total current liabilities	92,750	101,400	95,271
Total liabilities	508,285	463,302	538,231
Total equity and liabilities	1,559,272	1,388,676	1,523,184
Equity shareholders' funds per share	£64.49	£56.78	£60.44

* See Note 1

Consolidated Statement of Cash Flows

for the six months ended 30 September 2013

	Unaudited Six months ended 30/9/13		Unaudited Six months ended 30/9/12		Audited Year ended 31/3/13
	£000	£000	£000	£000	£000
Cash flows from operating activities					
Net cash generated from operations	13,565		13,989		35,379
Interest received	786		164		303
Interest paid	(5,796)		(5,342)		(11,014)
Distributions to minority interest	(306)		(201)		(394)
UK corporation tax paid	(926)		-		-
Overseas tax paid	-		(90)		(294)
Net cash from operating activities		7,323		8,520	23,980
Cash flows from investing activities					
Acquisition and development of investment property	(15,790)		(10,690)		(57,668)
Proceeds from sale of investment property	9,241		25,680		28,454
Net cash (absorbed by)/generated from investing activities		(6,549)		14,990	(29,214)
Cash flows from financing activities					
Repayment of bank loans	(15,692)		(837)		(1,525)
New bank loans and overdrafts	3		-		44,611
Repayment of mortgages	(18,596)		(8,206)		(24,363)
New mortgages	22,662		7,933		29,374
Dividends paid	-		-		(12,384)
Net cash (absorbed by)/generated from financing activities		(11,623)		(1,110)	35,713
Net (decrease)/increase in cash and cash equivalents		(10,849)		22,400	30,479
Cash and cash equivalents brought forward		63,513		32,324	32,324
Effect of exchange rate fluctuations on cash held		(1,277)		134	710
Cash and cash equivalents		51,387		54,858	63,513

Notes to the Consolidated Interim Financial Statements

for the six months ended 30 September 2013

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 2013. 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 2014 and concluded that they have no material effect on either the current or prior periods.

With effect from 1 April 2012, the Group adopted *Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)* and changed its accounting policy on measuring deferred tax arising from investment property that is measured using the fair value model in IAS 40 *Investment Property*. This change in accounting policy was applied retrospectively and full details of the change and its effect on the consolidated balance sheet as at 1 April 2011 and the subsequent annual consolidated statements of comprehensive income and consolidated balance sheets were set out in the Group's Annual Report for the year ended 31 March 2013. The effect on the consolidated statement of comprehensive income for the six months ended 30 September 2012 has been to recognise a tax expense of £0.6 million and the effect of this change on basic and diluted earnings per share in the same period has been a decrease of £0.04. The effect on the consolidated balance sheet at 30 September 2012 has been an increase in retained earnings and a corresponding decrease in deferred tax liabilities of £41.1 million.

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 2013 was unqualified and did not contain a statement under section 498 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2013 have been delivered to the Registrar of Companies. The interim financial statements were approved by the Board of Directors on 25 November 2013. 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 2013*

3. Segmental Analysis

	UK	USA	Eliminations	Total
	£000	£000	£000	£000
<i>For the six months ended 30 September 2013</i>				
Rental and related income	39,432	16,765	-	56,197
Property operating expenses	(22,607)	(10,879)	-	(33,486)
Profit on disposal of property	8,272	7	-	8,279
Net valuation movements on property	43,969	3,703	-	47,672
Administrative expenses	(4,749)	(320)	-	(5,069)
Profit before finance costs	64,317	9,276	-	73,593
Net financing credits	1,921	1,019	-	2,940
Profit before taxation	66,238	10,295	-	76,533
Income tax credit/(charge)	1,112	(4,789)	-	(3,677)
Profit for the period	67,350	5,506	-	72,856
Capital expenditure	12,153	3,637	-	15,790
<i>As at 30 September 2013</i>				
Investment property	1,156,770	295,389	-	1,452,159
Other assets	68,461	46,929	(8,277)	107,113
Total segment assets	1,225,231	342,318	(8,277)	1,559,272
Total segment liabilities	(287,062)	(229,500)	8,277	(508,285)
Capital employed	938,169	112,818	-	1,050,987

*Notes to the Consolidated Interim Financial Statements
for the six months ended 30 September 2013*

	UK £000 (Restated*)	USA £000	Eliminations £000	Total £000 (Restated*)
<i>For the six months ended 30 September 2012</i>				
Rental and related income	37,260	16,041	-	53,301
Property operating expenses	(22,358)	(10,093)	-	(32,451)
Profit/(loss) on disposal of property	4,546	(298)	-	4,248
Net valuation movements on property	9,892	1,548	-	11,440
Administrative expenses	(4,806)	(432)	-	(5,238)
Profit before finance costs	24,534	6,766	-	31,300
Net financing costs	(3,822)	(4,212)	-	(8,034)
Profit before taxation	20,712	2,554	-	23,266
Income tax credit/(charge)	293	(1,348)	-	(1,055)
Profit for the period	21,005	1,206	-	22,211
Capital expenditure	9,548	1,142	-	10,690
<i>As at 30 September 2012</i>				
Investment property	1,010,968	262,495	-	1,273,463
Other assets	79,962	39,922	(4,671)	115,213
Total segment assets	1,090,930	302,417	(4,671)	1,388,676
Total segment liabilities	(257,630)	(210,343)	4,671	(463,302)
Capital employed	833,300	92,074	-	925,374

*See Note 1

Notes to the Consolidated Interim Financial Statements for the six months ended 30 September 2013

4. Dividends

No dividends were paid in the six months ended 30 September 2013 (six months ended 30 September 2012: £Nil).

5. Investment properties

The Directors have estimated the value of the investment properties at 30 September 2013 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 2014.

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, and 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:

	Unaudited	Unaudited	Audited
	30/9/13	30/9/12	31/3/13
	£000	£000	£000
Interest rate swaps	4,741	6,853	6,470
Mortgages	178,399	178,402	190,681
	183,140	185,255	197,151
Current	13,049	25,602	23,351
Non-current	170,091	159,653	173,800
	183,140	185,255	197,151

In both 2013 and 2012 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.

*Notes to the Consolidated Interim Financial Statements
for the six months ended 30 September 2013*

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 2013, 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 £5.5 million (2012: £3.0 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, not included above, were £2.1 million (six months ended 30 September 2012: £1.7 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 2013.

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 2013. A list of current Directors is maintained on the Daejan Holdings PLC website www.daejanholdings.com.

B S E Freshwater
Chairman
26 November 2013