

23 July 2019

DAEJAN HOLDINGS PLC

UNAUDITED PRELIMINARY RESULTS ANNOUNCEMENT for the year ended 31 March 2019

The Chairman, Mr B S E Freshwater, today announced Preliminary Results for the year to 31 March 2019.

The financial highlights for the year ended 31 March 2019 are as follows:

	2019	2018
	£000	£000
Investment property	2,532,518	2,373,184
Properties held for sale	70,997	-
Net rental and related income from investment property	76,581	66,478
Profit before taxation	137,832	201,262
Income tax	(17,853)	1,696
Profit for the year	119,979	202,958
Total equity	1,940,521	1,812,993
Equity shareholders' funds per share	£119.07	£111.25
Earnings per share	£7.36	£12.45

- The revaluation of the investment property portfolio at the year end has resulted in a net valuation surplus for the year of £83,928,000 (2018 - £146,438,000).
- Rental and related income from investment property has increased in the year by 9.3% (2018 – 1.5%) The increase has principally been driven in the UK by the completion of the Travelodge hotel and other developments. In the USA the main factor has been the acquisition of three new residential properties at a total cost of \$98 million.
- The Board has recommended a final dividend of 71p per share in respect of the year ended 31 March 2019 payable on 1 November 2019 to shareholders on the register on 4 October 2019. This will make a total dividend for the year of 106p (2018 – 103p).
- Earnings per share is calculated by reference to profit on ordinary activities after taxation attributable to equity holders of the parent of £119,893,000 (2018 - £202,889,000) and 16,295,357 (2018 – 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 £1,940,354,000 (2018 - £1,812,902,000) and the ordinary shares detailed above.

DAEJAN HOLDINGS PLC
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Gross rental income	142,364	131,323
Service charge income	13,797	11,562
Total rental and related income from investment property	156,161	142,885
Property operating expenses	(79,580)	(76,407)
Net rental and related income from investment property	76,581	66,478
Profit on disposal of investment property	12,203	11,893
Net valuation gains on investment property	83,928	146,438
Administrative expenses	(13,904)	(13,263)
Net operating profit before net financing costs	158,808	211,546
Fair value (losses)/gains on derivative financial instruments	(167)	1,923
Fair value (losses)/gains on current investments	(5)	6
Other financial income	1,048	581
Financial expenses	(21,852)	(12,794)
Net financing costs	(20,976)	(10,284)
Profit before taxation	137,832	201,262
Income tax	(17,853)	1,696
Profit for the year	119,979	202,958
Attributable to:–		
Equity holders of the parent	119,893	202,889
Non-controlling interest	86	69
Profit for the year	119,979	202,958
Basic and diluted earnings per share	£7.36	£12.45

DAEJAN HOLDINGS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Profit for the year	119,979	202,958
Foreign exchange translation differences	24,350	(29,759)
Total comprehensive income for the year	144,329	173,199
Attributable to:		
Equity holders of the parent	144,236	173,156
Non-controlling interest	93	43
Total comprehensive income for the year	144,329	173,199

DAEJAN HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Issued share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Equity shareholders' funds £000	Minority interest £000	Total equity £000
Balance at 1 April 2017	4,074	555	61,117	1,589,969	1,655,715	240	1,655,955
Profit for the year	-	-	-	202,889	202,889	69	202,958
Foreign exchange translation differences	-	-	(29,733)	-	(29,733)	(26)	(29,759)
Distributions to minority interest	-	-	-	-	-	(192)	(192)
Dividends to equity shareholders	-	-	-	(15,969)	(15,969)	-	(15,969)
Balance at 31 March 2018	4,074	555	31,384	1,776,889	1,812,902	91	1,812,993
Profit for the year	-	-	-	119,893	119,893	86	119,979
Foreign exchange translation differences	-	-	24,343	-	24,343	7	24,350
Distributions to minority interest	-	-	-	-	-	(17)	(17)
Dividends to equity shareholders	-	-	-	(16,784)	(16,784)	-	(16,784)
Balance at 31 March 2019	4,074	555	55,727	1,879,998	1,940,354	167	1,940,521

DAEJAN HOLDINGS PLC
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019

	31 March	31 March
	2019	2018
	£000	£000
Assets		
Investment property	2,532,518	2,373,184
Deferred tax assets	226	197
Total non-current assets	2,532,744	2,373,381
Trade and other receivables	66,716	62,714
Current investments	151	158
Cash and cash equivalents	95,895	98,752
Properties held for sale	70,997	-
Total current assets	233,759	161,624
Total assets	2,766,503	2,535,005
Equity		
Share capital	4,074	4,074
Share premium	555	555
Translation reserve	55,727	31,384
Retained earnings	1,879,998	1,776,889
Total equity attributable to equity holders of the parent	1,940,354	1,812,902
Non-controlling interest	167	91
Total equity	1,940,521	1,812,993
Liabilities		
Loans and borrowings	418,069	296,501
Deferred tax liabilities	293,431	271,807
Total non-current liabilities	711,500	568,308
Loans and borrowings	12,685	53,958
Trade and other payables	58,677	52,489
Current taxation	43,120	47,257
Total current liabilities	114,482	153,704
Total liabilities	825,982	722,012
Total equity and liabilities	2,766,503	2,535,005

DAEJAN HOLDINGS PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Year ended 31 March 2019		Year ended 31 March 2018	
	£000	£000	£000	£000
Cash flows from operating activities				
Cash generated from operations	61,506		56,480	
Interest received	1,048		581	
Interest paid	(15,486)		(12,592)	
Tax paid	(8,855)		(8,967)	
Net cash from operating activities		38,213		35,502
Cash flows from investing activities				
Acquisition and development of investment property	(108,463)		(39,424)	
Proceeds from sale of investment property	16,098		16,085	
Net cash absorbed by investing activities		(92,365)		(23,339)
Cash flows from financing activities				
Repayment of bank loans	(59,603)		(2,509)	
New bank loans	60,000		15,000	
Repayment of mortgages	(40,063)		(58,398)	
New mortgages	102,814		70,216	
Dividends paid to equity holders of the parent	(16,784)		(15,969)	
Payments to non-controlling interest	(17)		(192)	
Net cash generated by financing activities		46,347		8,148
Net (decrease)/increase in cash and cash equivalents		(7,805)		20,311
Cash and cash equivalents brought forward		98,752		84,283
Effect of exchange rate fluctuations on cash held		4,948		(5,842)
Cash and cash equivalents		95,895		98,752

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 2019 or 2018. The financial information for 2018 is derived from the statutory accounts for 2018 which have been delivered to the Registrar of Companies. The Auditors have reported on the 2018 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 2019 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 2018, as set out in those accounts as delivered to the Registrar of Companies. The statutory accounts for 2019 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 or estimation involved in their application and their impact on the financial information.

i. 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. 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 £1,875,195,000 at 31 March 2019 and in the US the aggregate amount of the valuation is £750,468,000 at 31 March 2019. Both are based on the open market values assessed in accordance with professional standards. The aggregate professional valuations included in Investment property on the balance sheet have been reduced by an amount of £70,997,000 transferred to Properties held for sale and £22,148,000 relating to lease incentives included in Trade and other receivables.

ii. 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 authorities. 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.

3. Segmental Analysis

	UK	USA	Eliminations	Total
	£000	£000	£000	£000
<i>For the year ended 31 March 2019</i>				
Rental and related income	100,364	55,797	-	156,161
Property operating expenses	(48,831)	(30,749)	-	(79,580)
Profit/(loss) on disposal of property	12,728	(525)	-	12,203
Net valuation movements on property	51,845	32,083	-	83,928
Administrative expenses	(13,085)	(819)	-	(13,904)
Profit before finance costs	103,021	55,787	-	158,808
Net financing expense	(12,212)	(8,764)	-	(20,976)
Profit before taxation	90,809	47,023	-	137,832
Income tax charge	(13,725)	(4,128)	-	(17,853)
Profit for the year	77,084	42,895	-	119,979
Capital expenditure	23,644	81,858	-	105,502
<i>As at 31 March 2019</i>				
Investment property	1,785,746	746,772	-	2,532,518
Other assets	152,777	92,979	(11,771)	233,985
Total segment assets	1,938,523	839,751	(11,771)	2,766,503
Total segment liabilities	(396,165)	(441,588)	11,771	(825,982)
Capital employed	1,542,358	398,163	-	1,940,521
	UK	USA	Eliminations	Total
	£000	£000	£000	£000
<i>For the year ended 31 March 2018</i>				
Rental and related income	92,395	50,490	-	142,885
Property operating expenses	(47,278)	(29,129)	-	(76,407)
Profit/(loss) on disposal of property	12,900	(1,007)	-	11,893
Net valuation movements on property	97,504	48,934	-	146,438
Administrative expenses	(12,600)	(663)	-	(13,263)
Profit before finance costs	142,921	68,625	-	211,546
Net financing expense	(3,352)	(6,932)	-	(10,284)
Profit before taxation	139,569	61,693	-	201,262
Income tax (charge)/credit	(21,883)	23,579	-	1,696
Profit for the year	117,686	85,272	-	202,958
Capital expenditure	32,057	8,580	-	40,637
<i>As at 31 March 2018</i>				
Investment property	1,783,506	589,678	-	2,373,184
Other assets	84,777	87,821	(10,777)	161,821
Total segment assets	1,868,283	677,499	(10,777)	2,535,005
Total segment liabilities	(385,452)	(347,337)	10,777	(722,012)
Capital employed	1,482,831	330,162	-	1,812,993

4. Taxation

The Group's overall effective tax rate was 13.0% charge (2018 – 0.8% credit). In the UK, the effective tax rate was 15.1% (2018 – 15.7%). In the USA, the effective rate was 8.8% charge (2018 – 38.2% credit). In the USA we had a tax credit in 2018 due to the Trump administration change in the USA corporate tax rate from 35% to 21% which led us to recalculate our USA deferred tax liabilities as well.

5. Dividends

Dividends of £16.8m (2018:£16.0m) were paid in the year ended 31 March 2019.

6. Investment Properties

A full valuation of the Group's properties has been carried out by individual professional valuers at 31 March 2019.

	2019	2018
	£000	£000
Opening valuation	2,373,184	2,256,800
New acquisitions	77,477	1,069
Additions to existing properties	28,025	39,568
Transfer to properties held for sale	(70,997)	-
Disposals	(4,339)	(4,134)
	<u>2,403,350</u>	<u>2,293,303</u>
Revaluation gain	83,928	146,438
Foreign exchange gain/(loss)	45,240	(66,557)
Closing valuation	<u>2,532,518</u>	<u>2,373,184</u>

7. Cash generated from operations

	2019	2018
	£000	£000
Net operating profit before net financing costs	158,808	211,546
Adjusted for:		
Net valuation gain on investment property	(83,928)	(146,438)
Net gain on sale of investment property	(12,203)	(11,893)
Net valuation loss on listed investments	2	10
Cash flows from operations before changes in working capital	62,679	53,225
Changes in working capital:		
Change in trade and other receivables	(2,982)	366
Change in trade and other payables	1,809	2,889
Working capital movement	(1,173)	3,255
Cash generated from continuing operations	61,506	56,480

8. 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 and fees.

	Unaudited		Audited	
	31 March 2019		31 March 2018	
	Book Value	Fair Value	Book Value	Fair Value
	£000	£000	£000	£000
Loans and borrowings	430,754	450,770	350,459	358,199
Interest rate swaps	1,328	1,328	1,161	1,161
	432,082	452,098	351,620	359,360
Current	14,013	15,927	55,119	55,898
Non-current	418,069	436,171	296,501	303,462
	432,082	452,098	351,620	359,360

In both 2019 and 2018 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 instruments of the Group.

9. 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 CB Freshwater and Mr RE Freshwater have 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 2019, the aggregate net amount due from the Group to Highdorn and FPM was £0.5 million (2018 - £2.7 million due to the Group from 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 2019 was £4.9 million (2018 - £6.2 million).

10. The Annual General Meeting will be held at 2:30 pm on Tuesday 17 September 2019 in The Connaught Rooms, 61-65 Great Queen Street, London WC2B 5DA.

For further information call:

Mark Jenner
Company Secretary
Daejan Holdings PLC
020 7836 1555

Nick Osborne
Weber Shandwick Financial
020 7067 0700