

DAEJAN HOLDINGS PLC

*Interim Results Announcement
for the half year ended
30 September 2014*





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Interim Results

The Board is pleased to present the Interim Statement for the half year ended 30 September 2014.

	30/9/14	30/9/13	31/3/14
	£000	£000	£000
Profit before tax	134,546	76,533	164,505
Profit after tax	109,455	72,856	150,168
Basic and diluted earnings per share	£6.71	£4.45	£9.19
Equity shareholders' funds per share	£75.04	£64.49	£68.15

- The profit before tax for the period was £134.5 million (2013:£76.5 million) after accounting for the net valuation gain on investment properties of £107.9 million (2013:£47.7 million) and fair value losses on financial instruments of £0.6 million (2013:£8.5 million gains). There was an increase of £10.6 million (21.6%) in gross rental income and the underlying net profit before tax, i.e. excluding net valuation movements, was £27.3 million (2013: £20.4 million). Gross rental income and underlying profit before tax both benefited from the one-off impact of the settlement of a significant contested rent review, referred to below.
- 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 £107.9 million (2013:£47.7 million) reflects net gains in both the UK and USA portfolios. In the UK, there has been further strong growth in Central London and Home Counties residential property; growth in residential values in the rest of the UK is also now well established. Central London commercial property continues to strengthen, but demand and values in the provincial markets remain difficult. In the USA, the rate of increase in values observed during the initial recovery from the financial crisis has slowed, but values in Boston have benefited from continued strong demand.
- As previously announced, the settlement of the contested rent review on the Strand Palace Hotel gave rise to a one-off benefit to rental income in the period of £7.9 million. This has also given rise to a significant uplift in the value of the Group's interest in the hotel.
- Also as previously announced, the Group secured a tenant for the whole of the refurbished Africa House in Kingsway, London WC2 in July 2014. As anticipated at the time of the Annual Report & Accounts, this has contributed to a further substantial increase in the value of the property.

- The half year results have benefited materially from the confluence of the timing of the new letting of Africa House and the resolution of the rent review at the Strand Palace Hotel. The rental benefit of these positive events will continue to accrue in future years but future increases in the capital values of these properties are likely to be more modest, in line with the market as a whole.
- In the USA the economy continues to grow. The general UK outlook continues to show improvement but this has largely been confined to the London area. Uncertainty created by the upcoming General Election and issues such as the UK's future relationship with the EU combine to make the immediate future particularly hard to predict with any certainty. Nevertheless, we believe that our tried and tested strategy, based on the prudent long term pursuit of growth in asset values, will enable us to make continued progress in challenging times.
- 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.
- In November 2013 we made a periodic adjustment to the level of the interim dividend to reflect the effect of increases in the aggregate annual dividend in recent years on the proportion of total dividend paid at the interim stage. In line with this, an interim dividend of 35p per share will be paid on 6 March 2015 to shareholders on the register on 6 February 2015.
- Mr Aaron "Mendy" Bude was appointed to the Board on 25 November 2014 as a non-executive director. Mr Bude is a founding partner of Bude Nathan Iwanier, a firm of solicitors specialising in property matters.

B S E Freshwater
Chairman
26 November 2014

Consolidated Income Statement
for the six months ended 30 September 2014

	Unaudited Six months ended 30/9/14 £000	Unaudited Six months ended 30/9/13 £000	Audited Year ended 31/3/14 £000
Total rental & related income from investment property	66,463	56,197	112,202
Property operating expenses	(33,966)	(33,486)	(68,789)
Net rental & related income from investment property	32,497	22,711	43,413
Profit on disposal of investment property	5,962	8,279	11,320
Net valuation gains on investment property	107,882	47,672	119,648
Administrative expenses	(5,871)	(5,069)	(10,550)
Net operating profit before net financing costs	140,470	73,593	163,831
Fair value (losses)/gains on fixed rate loans and borrowings	(957)	6,763	8,737
Fair value gains on derivative financial instruments	320	1,729	2,375
Fair value gains/(losses) on current investments	1	(2)	(14)
Other financial income	160	338	705
Financial expenses	(5,448)	(5,888)	(11,129)
Net financing (expense)/income	(5,924)	2,940	674
Profit before taxation	134,546	76,533	164,505
Income tax	(25,091)	(3,677)	(14,337)
Profit for the period	109,455	72,856	150,168
Attributable to :			
Equity holders of the parent	109,313	72,560	149,772
Non-controlling interest	142	296	396
Profit for the period	109,455	72,856	150,168
Basic and diluted earnings per share	£6.71	£4.45	£9.19

Consolidated Statement of Comprehensive Income
for the six months ended 30 September 2014

	Unaudited Six Months ended 30/9/14 £000	Unaudited Six Months ended 30/9/13 £000	Audited Year ended 31/3/14 £000
Profit for the period	109,455	72,856	150,168
Foreign exchange translation differences	3,002	(6,516)	(9,678)
Total comprehensive income for the period	112,457	66,340	140,490
Attributable to :			
Equity holders of the parent	112,311	66,044	140,101
Non-controlling interest	146	296	389
Total comprehensive income for the period	112,457	66,340	140,490

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 2014

	Share capital	Share premium	Translation reserve	Retained earnings	Equity share-holders' funds	Non-controlling interest	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	4,074	555	22,467	957,774	984,870	83	984,953
Profit for the year	-	-	-	149,772	149,772	396	150,168
Foreign exchange translation differences	-	-	(9,671)	-	(9,671)	(7)	(9,678)
Payments to non-controlling interest	-	-	-	-	-	(303)	(303)
Dividends to equity shareholders	-	-	-	(14,503)	(14,503)	-	(14,503)
Balance at 1 April 2014	4,074	555	12,796	1,093,043	1,110,468	169	1,110,637
Profit for the period	-	-	-	109,313	109,313	142	109,455
Foreign exchange translation differences	-	-	2,998	-	2,998	4	3,002
Payments to non-controlling interest	-	-	-	-	-	(268)	(268)
Balance at 30 September 2014	4,074	555	15,794	1,202,356	1,222,779	47	1,222,826

Consolidated Balance Sheet

as at 30 September 2014

	Unaudited	Unaudited	Audited
	30/9/14	30/9/13	31/3/14
	£000	£000	£000
Assets			
Investment property	1,682,323	1,452,159	1,546,718
Deferred tax assets	5,421	5,143	5,433
Total non-current assets	1,687,744	1,457,302	1,552,151
Trade and other receivables	67,811	50,343	46,833
Current investments	2,077	237	2,033
Cash and cash equivalents	53,299	51,390	59,149
Total current assets	123,187	101,970	108,015
Total assets	1,810,931	1,559,272	1,660,166
Equity			
Share capital	4,074	4,074	4,074
Share premium	555	555	555
Translation reserve	15,794	15,951	12,796
Retained earnings	1,202,356	1,030,334	1,093,043
Total equity attributable to equity holders of the parent	1,222,779	1,050,914	1,110,468
Non-controlling interest	47	73	169
Total equity	1,222,826	1,050,987	1,110,637
Liabilities			
Loans and borrowings	291,698	249,545	283,869
Deferred tax liabilities	203,622	165,990	182,271
Total non-current liabilities	495,320	415,535	466,140
Bank overdrafts	–	3	–
Loans and borrowings	8,186	9,683	7,710
Trade and other payables	49,068	44,259	45,305
Current taxation	35,531	38,805	30,374
Total current liabilities	92,785	92,750	83,389
Total liabilities	588,105	508,285	549,529
Total equity and liabilities	1,810,931	1,559,272	1,660,166
Equity shareholders' funds per share	£75.04	£64.49	£68.15

Consolidated Statement of Cash Flows
for the six months ended 30 September 2014

	Unaudited Six months ended 30/9/14		Unaudited Six months ended 30/9/13		Audited Year ended 31/3/14	
	£000	£000	£000	£000	£000	£000
Cash flows from operating activities						
Net cash generated from operations	9,786		13,565		32,167	
Interest received	163		786		1,154	
Interest paid	(5,227)		(5,796)		(11,329)	
Payments to non-controlling interest	(268)		(306)		(303)	
Tax paid	(257)		(926)		(2,304)	
Net cash from operating activities		4,197		7,323		19,385
Cash flows from investing activities						
Acquisition and development of investment property	(21,762)		(15,790)		(47,797)	
Proceeds from sale of investment property	8,111		9,241		13,093	
Net cash absorbed by investing activities		(13,651)		(6,549)		(34,704)
Cash flows from financing activities						
Repayment of bank loans	(687)		(15,692)		(16,375)	
New bank loans and overdrafts	5,000		3		-	
Repayment of mortgages	(4,389)		(18,596)		(32,320)	
New mortgages	3,161		22,662		76,050	
Dividends paid	-		-		(14,503)	
Net cash generated from/ (absorbed by) financing activities		3,085		(11,623)		12,852
Net decrease in cash and cash equivalents		(6,369)		(10,849)		(2,467)
Cash and cash equivalents brought forward		59,149		63,513		63,513
Effect of exchange rate fluctuations on cash held		519		(1,277)		(1,897)
Cash and cash equivalents		53,299		51,387		59,149

Notes to the Consolidated Interim Financial Statements for the six months ended 30 September 2014

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 2014. 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 2015 and concluded that they have no material effect on either the current or prior periods.

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 2014 was unqualified and did not contain a statement under section 498 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2014 have been delivered to the Registrar of Companies. The interim financial statements were approved by the Board of Directors on 25 November 2014. 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 2014

3. Segmental Analysis

	UK £000	USA £000	Eliminations £000	Total £000
<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	(3,389)	(2,535)	-	(5,924)
Profit before taxation	125,982	8,564	-	134,546
Income tax	(21,440)	(3,651)	-	(25,091)
Profit for the period	104,542	4,913	-	109,455
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	88,574	47,974	(7,940)	128,608
Total segment assets	1,427,507	391,364	(7,940)	1,810,931
Total segment liabilities	(334,939)	(261,106)	7,940	(588,105)
Capital employed	1,092,568	130,258	-	1,222,826

*Notes to the Consolidated Interim Financial Statements
for the six months ended 30 September 2014*

	UK £000	USA £000	Eliminations £000	Total £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 expense	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 2014

4. Dividends

No dividends were paid in the six months ended 30 September 2014 (six months ended 30 September 2013: £Nil).

5. Investment properties

The Directors have estimated the value of the investment properties at 30 September 2014 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 2015.

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
	30/9/14	30/9/13	31/3/14
	£000	£000	£000
Interest rate swaps	3,775	4,741	4,095
Mortgages	215,430	178,399	211,437
	219,205	183,140	215,532
Current	10,586	13,049	10,430
Non-current	208,619	170,091	205,102
	219,205	183,140	215,532

In both 2014 and 2013 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 2014

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 2014, 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 £18.5 million (2013: £5.5 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 2013: £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 2014.

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 2014. A list of current Directors is maintained on the Daejan Holdings PLC website www.daejanholdings.com.

B S E Freshwater
Chairman
26 November 2014