Safeland plc

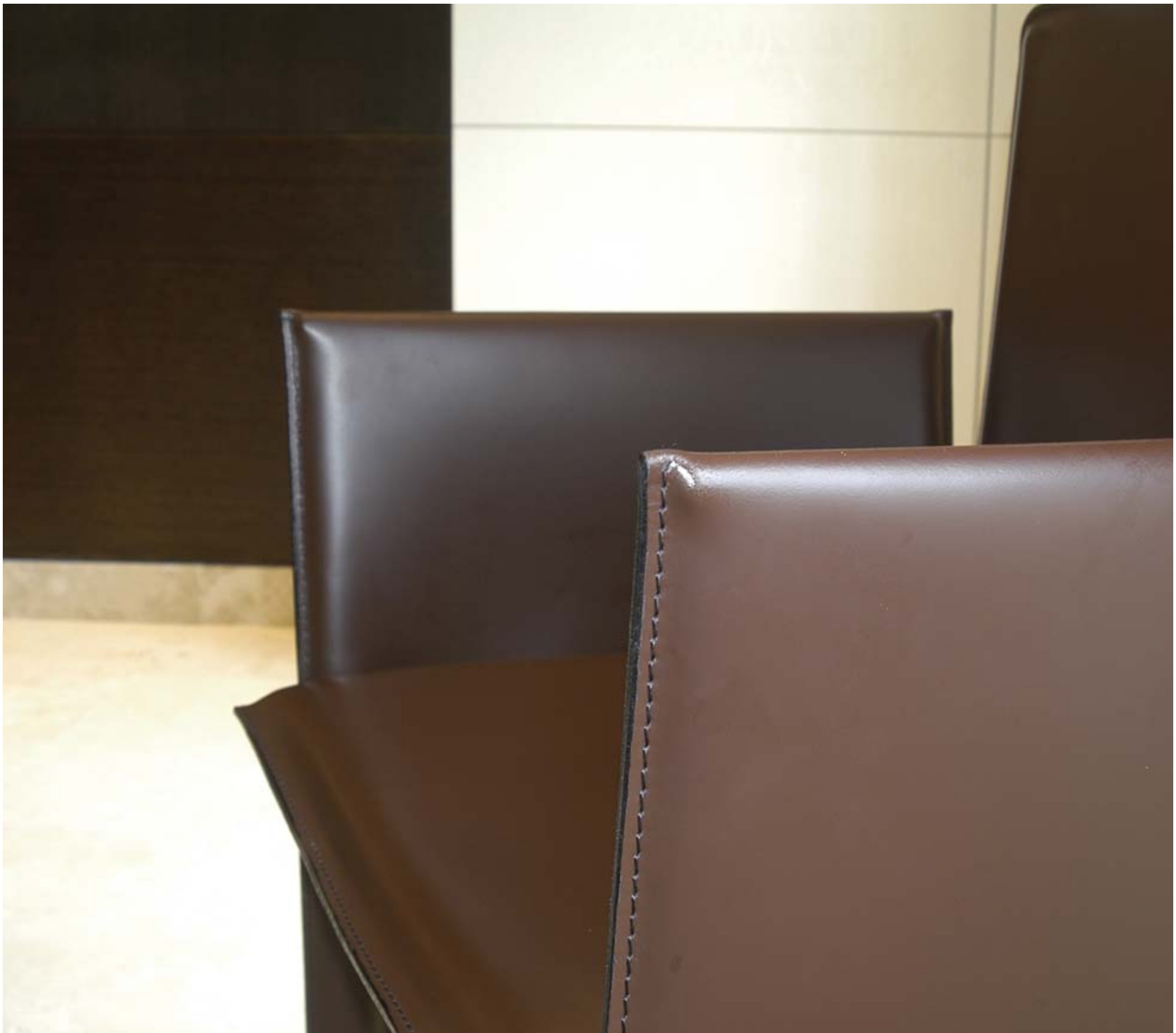
annual report and accounts 2004

Safeland plc Annual Report & Accounts

property trading
investment
redevelopment
refurbishment

contents

At the year end the value of our stock of properties is £13.4m (2003: £6.0m) which the board believes offers potential for future profitable sales.



Officers and Professional Advisers

Financial Highlights

Loss before taxation

£1,037,000 (2003: £3,522,000 profit)

Net Asset Value

94 pence (2003: 91 pence)

Turnover

£19,448,000 (2003: £26,101,000)

BOARD OF DIRECTORS

Raymond Lipman
Chairman

Larry Glenn Lipman
Managing Director

Errol Alan Lipman
Executive Director

Paul Malcolm Davis FCA
Finance Director

Leonard Walter Green FCA
Non-Executive Director

Richard Ernest Pryce FRICS FSVA
Non-Executive Director

COMPANY SECRETARY

Paul Malcolm Davis FCA

REGISTERED OFFICE

94-96 Great North Road
London N2 0NL

COMPANY NUMBER

2012015

MERCHANT BANKERS

Investec Henderson Crosthwaite
2 Gresham Street
London EC2V 7QP

STOCKBROKERS

Insinger Townsley
44 Worship Street
London EC2A 2JT

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

CORPORATE SOLICITORS

Dechert
2 Serjeants' Inn
London EC4Y 1LT

REGISTRARS

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

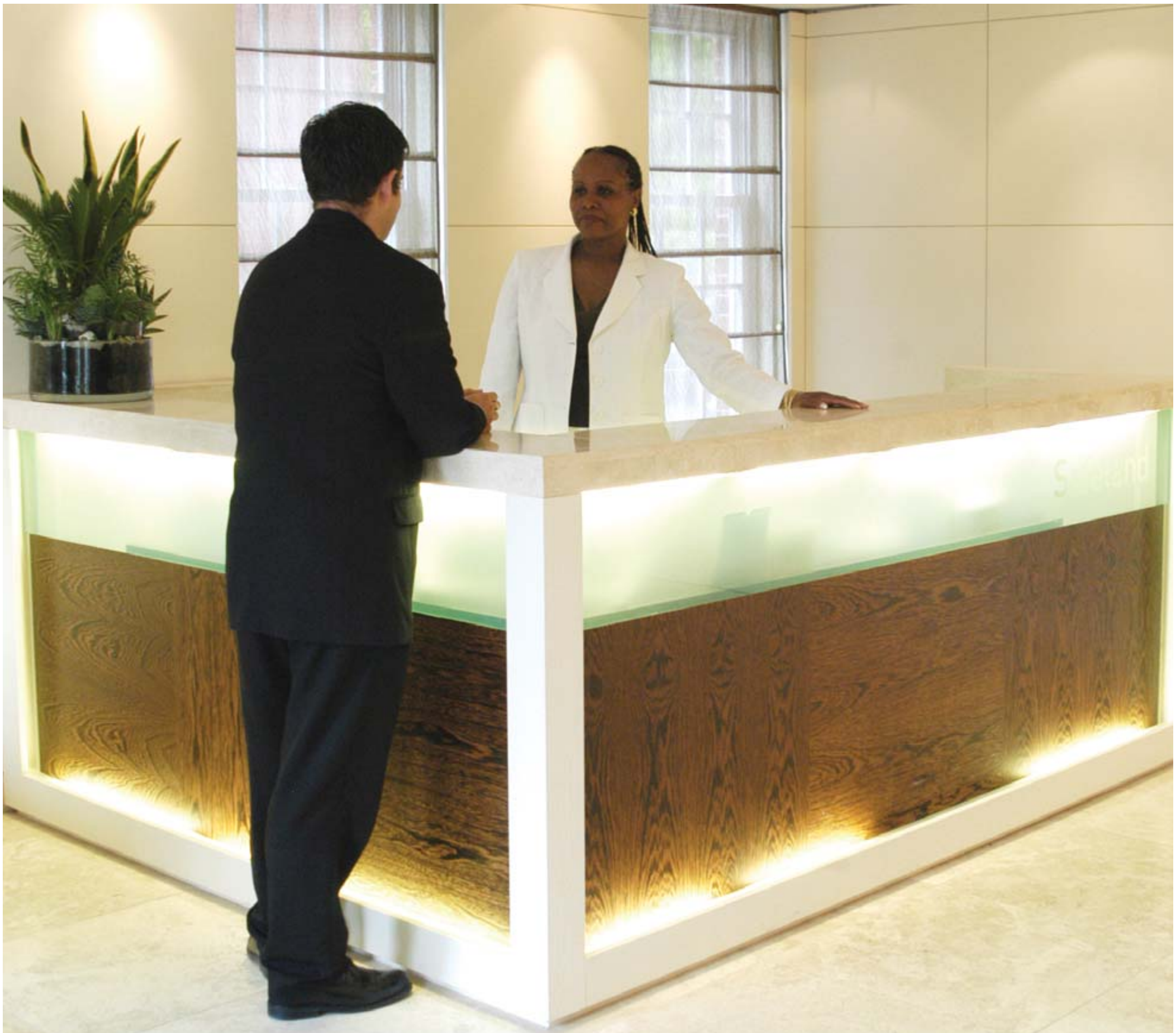
BANKERS

Lloyds TSB Bank plc
3rd floor
25 Gresham Street
London EC2V 7HN

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Bank of Scotland plc
PO Box 267
38 Threadneedle Street
London EC2P 2EH

I can advise that in the event that favourable conditions do present themselves we are in a very good position to take advantage of them.



Chairman's Statement

In my interim statement of December 1 2003 and in previous statements over the last few years I have advised shareholders of the difficult trading conditions that Safeland has encountered and which have continued to prevail during the last six months.

As a result Safeland Plc is reporting a loss before taxation for the year of £1,037,000 (2003: £3,522,000 profit) and a resultant loss per share for the year of 5.37p (2003: earnings 10.33p).

The loss for the year predominantly relates to two main items. In last year's statement mention was made of an investment that Safeland made in an AIM listed company called Tecc-IS whose main assets were made up of cash and investments in technological stocks in Israel. Safeland has a significant interest in Tecc-IS of 25% and it is therefore appropriate for the company to treat Tecc-IS as an associate and take into its own accounts its relevant proportion of that group's profit and loss account and balance sheet.

In the recently announced Tecc-IS preliminary figures to December 31 2003 it was stated that an independent body had carried out a review of these investments resulting in a write down by a figure of just in excess of £1m and Safeland's share of this is taken into consideration in the current year's accounts, together with its share of the reported losses of the group for that year.

In addition, Safeland's continued involvement in self storage with its three centres in Italy, one in Rome and two in Milan have produced the expected losses which occur at the outset. For the current year under review this loss amounted to £639,000. I am pleased to report that satisfactory progress is being made in all three centres.

During the year under review Safeland undertook 85 transactions compared with 92 in the previous year with an average lot size of £230,000 (2003: £530,000). Turnover for the current year is £19,448,000 compared to £26,101,000 in the year ended March 31 2003.

The company has purchased 1,240,668 of its own shares during this year which has resulted in a net asset value per share as at the year end of 94p compared to 91p in March 2003.

Due to the loss that the company has incurred during the year it is not going to be paying a dividend at the year end. Gearing stands at 76% (2003: 34%).

At the year end the value of our stock of properties is £13.4m (2003: £6.0m) which the board believes offers potential for future profitable sales and I am pleased to report that the first few months of the new financial year have seen some vibrant trading. It is, however, impossible to accurately predict whether this will continue for the coming months.

I mentioned in my interim statement that Steven Lipman had left the organisation and I reiterate my thanks to him for his contribution over the years and wish him luck for the future.

I can advise that in the event that favourable conditions do present themselves we are in a very good position to take advantage of them.

RAYMOND LIPMAN
Chairman

29 July 2004

The directors present their annual report on the affairs of the group together with the financial statements for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activities of the group comprise property trading, property refurbishment (including redevelopment), property investment and self-storage.

REVIEW OF BUSINESS AND FUTURE PROSPECTS

A detailed account of the group's progress during the period and its future prospects is set out in the Chairman's statement on page 5.

RESULTS AND DIVIDENDS

The results for the year are set out in detail on page 15. No interim dividend was paid by the company (2003: £nil). The directors are not proposing a final dividend (2003: £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Raymond Lipman

Larry Lipman

Errol Lipman

Steven Lipman (resigned 17 November 2003)

Paul Davis

Leonard Green

Richard Pryce

Mr R Lipman (aged 70) is the Chairman of Safeland plc and has been with Safeland since its inception. He has many years of experience of the property business and is responsible for all matters relevant to the business.

Mr L G Lipman (aged 47) is the Managing Director of Safeland plc with many years' experience in the property business. His primary responsibility is that of negotiating acquisitions and disposals and liaising with various professionals.

Mr E A Lipman (aged 45) is an Executive Director whose primary responsibility is dealing with the group's residential portfolio and the numerous residential agents.

Mr P M Davis (aged 51) qualified as a Chartered Accountant in 1975. As Finance Director he is responsible for the financial and systems-related aspects of the group's business.

Mr L W Green (aged 67), a Chartered Accountant in private practice since 1962, is a partner of Addison, Bayer, Green & Co and a Non-executive Director of certain other companies.

Mr R E Pryce (aged 78) is a Chartered Surveyor who joined Safeland plc as a Non-executive Director following his retirement from the Healey & Baker partnership.

Mr L G Lipman and Mr E A Lipman retire by rotation and being eligible offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

The directors who were serving as directors at the end of the year had the following beneficial interests in the ordinary shares of the company during the year and at the year end.

	At 31 March 2004 Number of 5p ordinary shares	At 31 March 2003 Number of 5p ordinary shares
R Lipman	519,332	569,214
L G Lipman	112,888	569,283
E A Lipman	519,332	569,214
P M Davis	97,385	97,385
L W Green	25,000	25,000
R E Pryce	53,333	53,333

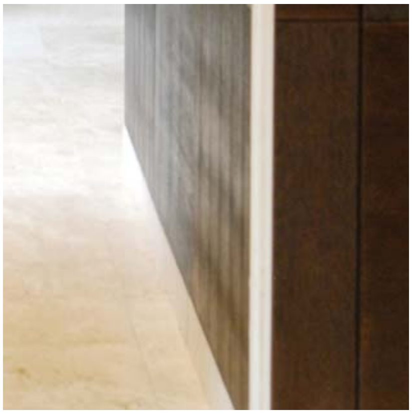
There have been no changes in the directors' shareholdings since the year end.

Mr L G Lipman and Mr E A Lipman have beneficial interests in the share capital of Safeland Holdings Corporation, a company incorporated in Panama. Safeland Holdings Corporation owns 10,544,643 (2003: 10,544,643) ordinary shares in the company representing 53.51 (2003: 50.38) per cent of the shares in issue at 31 March 2004.

Included in the holding of Mr L G Lipman as at 31 March 2003 were 456,395 shares vested in a connected party with whom Mr L G Lipman is no longer connected.

The interests shown above do not include the options over 71,428 (2003: 71,428) ordinary shares granted to Mr P M Davis. These options are exercisable at 70p per option and are exercisable at any time between 13 March 2001 and 12 March 2005.

Directors' Report



OTHER SUBSTANTIAL SHAREHOLDINGS

Apart from the shareholdings of the directors, as at 14 July 2004, the company had been notified of the following shareholdings which constitute three per cent or more of the total issued ordinary shares of the company.

	Ordinary shares of 5p each Fully paid Number	Percentage %
Safeland Holdings Corporation (see above)	10,544,643	53.51%
Chalfords Limited	1,097,500	5.57%

SUPPLIER PAYMENT POLICY

The group's policies in respect of its suppliers are:

- to settle the terms of payments with these suppliers when agreeing the terms of each transaction;
- to ensure that those suppliers are made aware of the terms of payment; and
- to abide by the terms of payment.

Creditor days for the year ended 31 March 2004 were 15 (2003: 15).

PURCHASE OF OWN SHARES

During the year the company, in accordance with previously disclosed policy, and under the authority of a previous shareholder resolution, purchased 1,240,668 (5.9 per cent) of its own 5p ordinary shares for a total consideration of £675,000 comprising nominal value of £62,000. The shares were subsequently cancelled. The reason for the purchase was to enhance earnings per share and net asset value per share.

BUSINESS AT THE ANNUAL GENERAL MEETING

The items of Special Business to be proposed at the Annual General Meeting are summarised below:

Resolution 6 – Directors' authority to allot shares in the company

This resolution, if passed, will give the directors authority under section 80 of the Companies Act 1985 as amended (the "Act") to allot up to 6,563,020 ordinary shares of 5p each, representing approximately one third of the issued share capital of the Company. In addition, 71,428 ordinary shares are currently reserved for issue under the Company's share option scheme. The directors have previously received authority to allot the shares over which these options have been granted and those shares will not be issued pursuant to the general authority being requested above. The directors have no present intention of exercising the general authority above except in connection with the issue of shares under the company's share option schemes. The authority will expire no later than the conclusion of the next annual general meeting.

Resolution 7 – Disapplication of statutory pre-emption rights

This resolution, if passed, will disapply section 89(1) of the Act allowing the company to allot equity securities for cash, other than to existing shareholders in proportion to their shareholdings, up to an aggregate nominal amount of £49,222 being approximately equal to 5 per cent of the issued ordinary share capital of the company. The authority will expire no later than the conclusion of the next annual general meeting.

Resolution 8 - Purchase of own shares

This resolution, if passed, will give the directors authority under section 166 of the Act to make market purchases (as defined in section 163(3) of the Act) of ordinary shares, subject to certain stipulations, up to a maximum number of 2,951,396 ordinary shares representing approximately 15 per cent of the company's issued share capital. This authority will, unless renewed, expire at the conclusion of the next annual general meeting of the company or, if earlier, the date fifteen months from the passing of the resolution. It is envisaged that renewal of this authority would be sought at subsequent annual general meetings. The minimum price payable on any exercise of such authority will be 5p per ordinary share, being the nominal value of ordinary shares, and the maximum price will be 5 per cent above the average middle market quotations of ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding any purchase, in both cases exclusive of expenses payable by the company.

Directors' Report continued

The directors have no present intention of exercising this power, and it would not be the directors' intention to exercise this power except at a price level that would be likely to increase earnings per share of the remaining issued ordinary shares and unless to do so would be in the best interests of shareholders generally. The company cannot by law exercise the power other than out of distributable profits or a fresh issue of shares made for the purposes of the purchase.

Under Rule 9 of the City Code on Takeovers and Mergers ("the Code") any person or group of persons acting in concert who acquires shares which when taken, with shares already held, carry 30% or more of the voting rights of a company, or who holds not less than 30% but not more than 50% of the voting rights of a company and acquires any additional shares which increases his percentage of the voting rights of the company is normally required by the Panel on Takeovers and Mergers ("the Panel") to make a general offer to all shareholders of the company. When a company purchases its own shares, a resulting increase in the percentage of voting rights carried by shareholdings of the directors and persons acting in concert with them will be treated as acquisitions for the purpose of Rule 9 of the Code. Mr L G Lipman, Mr E A Lipman, Mr R Lipman and Safeland Holdings Corporation (together "the Lipman Concert Party") are treated as acting in concert for the purposes of the Code.

Resolutions of independent shareholders of the company approving the waiver by the Panel of any of the obligations which might otherwise fall on the Lipman Concert Party to make a general offer pursuant to Rule 9 of the Code as a result of the company's purchase of its own shares have been passed in previous years. The shareholders of the company are not being asked to renew such approval at the forthcoming Annual General Meeting because the combined holding of the Lipman Concert Party exceeds 50% of the Company's ordinary share capital. The Panel has confirmed that further purchases by the company of its own shares will not give rise to a requirement for any members of the Lipman Concert Party to make a general offer for so long as the combined holding of the Lipman Concert Party exceeds 50% of the Company's ordinary share capital.

The notice of Annual General Meeting is on pages 42 and 43.

POLITICAL AND CHARITABLE DONATIONS

The group and company did not make any political donations during the year or the preceding year. The group and company made charitable donations of £600 during the year (2003: £150).

TAXATION

In the opinion of the directors, the company is a close company for taxation purposes.

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

P M DAVIS
Company Secretary

29 July 2004

Directors' Remuneration Report



INTRODUCTION

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 which introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

The Regulations require the auditors to report to the company's members on the "auditable part" of the directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION REMUNERATION COMMITTEE

During the year and at any time when matters relating to the directors' remuneration for this financial year were considered, the Remuneration Committee consisted of the non-executive directors, L W Green (Chairman of the Committee) and R E Pryce. The Committee determines on behalf of the board and the shareholders the company's policy for the level of remuneration for the executive directors.

REMUNERATION POLICY ON EXECUTIVE DIRECTORS' REMUNERATION

Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre required and to reward them for enhancing value to shareholders. The performance measurement of executive directors and the determination of their annual remuneration package is undertaken by the Committee consisting solely of non-executive directors. The remuneration of the non-executive directors is determined by the full board.

There are two main elements of the remuneration package for executive directors and senior managers:

1 Basic salary is determined by the Remuneration Committee at the beginning of each year and when an individual changes position or responsibility. Appropriate salary levels are set by reference to the performance, experience and responsibilities of each individual concerned and having regard to the prevailing market conditions.

2 Performance related bonuses are assessed annually and are based on a combination of individual and corporate performances during the preceding financial year.

The remuneration package for executive directors also includes benefits in kind such as cars, fuel and health insurance. The remuneration policy for executive directors' remuneration is not expected to change in the coming or subsequent years.

Share options are granted by the Committee and are assessed on an individual basis with a view to motivating and retaining directors in the long term.

There were no share options granted during the year ended 31 March 2004.

The company does not operate any long-term incentive schemes.

It is the company's policy that its executive directors may take up outside directorships where it is considered that the appointment would not impinge on their employment with the company. Individuals may retain any remuneration received from such services.

DIRECTORS' SERVICE CONTRACTS

The Executive Directors and L W Green (a non-executive director) have rolling service contracts with a notice period of three years. Having regard to the size of the company and the nature of its activities it is considered that the retention of a period of notice of three years is in the best interests of shareholders. R E Pryce (a non-executive director) has a rolling service contract with a notice period of three months.

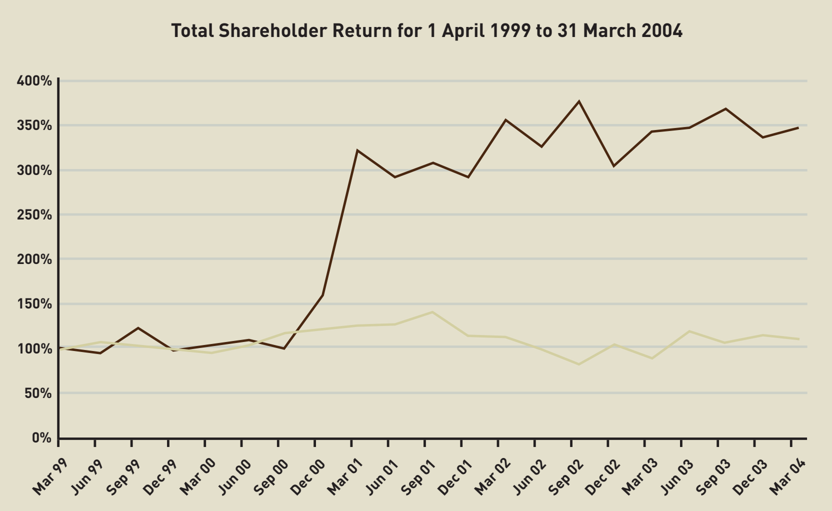
The directors' contracts contain no provision for fixed termination payments.

R Lipman, L G Lipman and E A Lipman all hold rolling service contracts dated 14 November 1988, amended on 11 March 1993 to include a three year notice period. P M Davis holds a rolling service contract dated 7 September 1992, amended on 27 July 1994 to include a three year notice period. L W Green holds a rolling service contract dated 17 November 1989, amended on 4 August 1994 to include a three year notice period. R E Pryce holds a rolling service contract dated 19 July 1991, effective from 6 August 1991.

Directors' Remuneration Report continued

PERFORMANCE GRAPH

The graph below shows the total shareholder return of the company's ordinary shares compared to the total shareholder return for the FTSE Real Estate Index for the five years ended 31 March 2004. The FTSE Real Estate Index has been selected as the benchmark for comparison since it allows a reasonable comparison of the performance of the company against its peers.



Safeland
FTSE Real Estate Index

AUDITED INFORMATION
DIRECTORS' EMOLUMENTS

The emoluments of the directors of the company for the year ended 31 March 2004 were as follows:

Name	Salary and fees £'000	Benefits in kind £'000	Annual bonus £'000	Compensation for loss of office £'000	2004 £'000	Salary and fees £'000	Benefits in kind £'000	Annual bonus £'000	2003 £'000
Chairman									
R Lipman	250	48	5	-	303	238	43	172	453
Other executive directors									
L G Lipman	154	51	(3)	-	202	138	50	163	351
S R Lipman	157	31	(15)	327	500	238	43	172	453
E A Lipman	250	50	5	-	305	238	42	172	452
P M Davis	69	29	6	-	104	65	26	5	96
Non-executive directors									
L W Green	25	-	-	-	25	25	-	-	25
R E Pryce	10	-	-	-	10	10	-	-	10
	915	209	(2)	327	1,449	952	204	684	1,840

The compensation for loss of office due to S R Lipman comprises £270,000 of salary and £57,000 of company cars transferred to him.

SHARE OPTIONS

At 31 March 2004, the company had granted 71,428 (2003: 71,428) share options to Mr P M Davis. These options are exercisable at 70p per option and are exercisable at any time between 13 March 2001 and 12 March 2005. No other director has held any options to acquire shares in the year and there have been no changes in share options since 31 March 2004.

The company has a single class of ordinary shares listed on the London Stock Exchange (LSE). High and low prices for the year were 58.5p and 45.0p respectively (2003: 46.5p and 31.0p) and the market price of the shares at 31 March 2004 was 52.5p (2003: 45.5p).

On behalf of the Board

L W GREEN
Chairman of Remuneration Committee

29 July 2004

Corporate Governance



INTRODUCTION

In January 1998, the Hampel Committee published its report on Corporate Governance, which was implemented by the London Stock Exchange as a Combined Code on 25 June 1998 ("the Hampel Code"). The Combined Code requires that disclosures are made on how the fourteen principles of the Code have been applied (known as 'the appliance statement') and whether or not the company has complied with these principles (known as 'the compliance statement'). The Combined Code is intended to promote the principles of openness, integrity and accountability. The company fully supports these principles.

On 2 December 1998, the Board formally adopted the principles of good governance set out in the Hampel Code. However, in view of the size and nature of the group, the directors have taken into consideration the recommendations of The Quoted Companies Alliance on the Code.

NARRATIVE STATEMENT ON APPLIANCE DIRECTORS

There is a Board of directors which is set up to control the company and group and consists of four executive and two non-executive directors. Both the non-executive directors are independent of the group. R Lipman is Chairman of the Board and L Lipman is Managing Director. The full Board meets every six weeks to discuss a whole range of significant matters including strategic decisions, major acquisitions and group performance.
A procedure to enable directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all directors.

L W Green has been nominated as the senior independent director as required by the Code.

Each Board meeting receives the latest financial information available which consists of detailed management accounts with the relevant comparisons to budget. A current trading appraisal is given by the executive directors.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken. As permitted by the Combined Code, due to the small size of the Board, it is considered inappropriate to establish a Nomination Committee.

The directors have delegated certain of their responsibilities to various committees, which operate within specific terms of reference and authority limits. The executive directors meet on a regular basis every four weeks and deal with decisions that do not require full Board approval. The directors believe that this process for making business decisions provides sufficient division of responsibility to meet the requirements of the Combined Code.

The Audit and Remuneration Committees, which consist solely of non-executive directors, meet at least twice a year.

DIRECTORS' REMUNERATION

The Remuneration Committee meets and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each executive director. The executive directors' remuneration consists of a package of basic salary, bonuses, and share options, which are linked to corporate and individual performance achievements and the levels of each are determined by the Remuneration Committee. The statement of remuneration policy and details of each director's remuneration are set out in the Remuneration Report.

Remuneration of non-executive directors is determined by the Board as a whole.

SHAREHOLDER RELATIONS

The directors meet and discuss the performance of the group with shareholders during the year. Queries raised by a shareholder, either verbally or in writing, are promptly answered by whoever is best placed on the Board to so do. All directors are individually introduced to shareholders at the Annual General Meeting.

ACCOUNTABILITY AND AUDIT

The Board believes that the Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the group's position and prospects. This is achieved by the Chairman's Statement which contains a detailed consideration of the group's position and prospects.

Corporate Governance continued

INTERNAL CONTROL

The Board is responsible for ensuring that the group has in place a system of internal control. In this context, control is defined as those policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value are safeguarded, and laws, regulations and policies are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, losses and fraud or breaches of laws and regulations.

The group operates a strict system of internal financial control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. However, during the course of the year under review there were limited breakdowns in some internal financial control systems relating to the approvals of transactions with directors as disclosed in note 36. Following a Board and Audit Committee review and consideration of this matter, arrangements have been put in place to ensure that all transactions with directors are reviewed on a timely basis by the Chairman of the Audit Committee. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the group, including those matters which are reserved specifically for the Board. The Board has responsibility for the system of internal financial control and an annual review of the same is undertaken.

The Combined Code extended the internal financial control provisions to require the directors to review the effectiveness of the group's entire system of internal control, including financial, operational, compliance and risk management.

The ICAEW published "Internal Controls: Guidance for Directors on the Combined Code", known as "The Turnbull Guidance", in September 1999, on how to apply the Code principles D2 and provisions D2.1 and D2.2.

The company, as required by the UK Listing Authority, has complied with the provisions of the Combined Code on internal control having established the procedures necessary to implement the guidance issued in September 1999 (the Turnbull Committee Report) and by reporting in accordance with that guidance.

The Board has overall responsibility for the company's system of internal control and for reviewing its effectiveness whilst the role of management is to implement Board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board has developed an ongoing process for identifying, evaluating and managing the significant risks faced by the company. This process is reviewed regularly by the Board and accords with the Turnbull guidance.

The group's management operates a risk management process which identifies the key risks facing the objectives of business and reports to the Board on how those risks are being managed. This is based on a risk register which identifies the key risks, the probability of those risks occurring, the impact if they do occur and the actions being taken to manage these risks to the desired level.

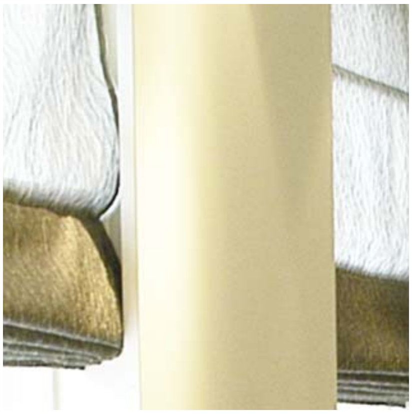
The Board and its respective committees also identify risks to the group's business objectives and formulate action plans to manage these risks.

The Board reviews the group risk register and receives regular reports on any material issues that have occurred during the year and how the risks have changed over the period under review. Steps are being taken to further embed internal control and risk management into the operations of the business and to address areas of improvement where required which come to management's and the Board's attention.

The group does not currently have, nor considers there is a need for, an internal audit function. The group's risk management process does not cover its associate investment.

GOING CONCERN

In compliance with the Listing Rules of the UK Listing Authority, the directors can report that based on the group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the company and group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.



AUDIT COMMITTEE

The Audit Committee, which consists of L W Green (Chairman of the Committee) and R E Pryce, is responsible for the relationship with the group's auditors, the in-depth review of the group's financial reports, internal controls and any other reports that the group may circularise. The terms of reference are reviewed on an annual basis, thereby ensuring that the Audit Committee's duties adequately cover all those specific areas that are identified by the Code, which includes a review of the cost effectiveness of the audit and non-audit services provided to the group. The Committee meets a minimum of twice a year, prior to the announcement of interim and annual results and, should it be necessary, would convene at other times.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

COMPLIANCE STATEMENT

Throughout the year ended 31 March 2004, the group has been in compliance with the Hampel Code Provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange, save for the limited exceptions outlined below:

A.3.1
Non-executive directors do not comprise one third of the Board. The Board considers that further non-executive directors are inappropriate given the size of the group.

A.5.1
A Nomination Committee has not been established. The Board, however, is small and it feels that decisions can be made effectively without this committee in place.

B.1.7/B.1.8
All directors with the exception of R E Pryce have three year rolling contracts. R E Pryce has a three month rolling contract. There are no current plans to reduce notice periods or contract terms. The Board considers that three year contracts are in the interest of shareholders, in view of the size of the group and the nature of its activities.

D.3.1
The Audit Committee comprised only two non-executive directors during the year. The group has only two non-executive directors, both of whom are on the Audit Committee. The Board considers that a third non-executive director is inappropriate given the size of the group. This satisfies the recommendations of The Quoted Companies Alliance.

By order of the Board

P M DAVIS
Company Secretary

29 July 2004

Independent Auditors' Report

We have audited the financial statements of Safeland plc for the year ended 31 March 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the note of historical cost profits and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes 1 to 37. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2004 and of the loss of the group for the year then ended; and
- the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditor

London
30 July 2004

Consolidated Profit and Loss Account

YEAR ENDED 31 MARCH 2004

	Note	2004 £'000	2003 £'000
TURNOVER			
Group and share of joint venture		20,764	30,521
Less: share of joint venture		(1,316)	(4,420)
Group turnover (including acquisition of £6,689,000)	2	19,448	26,101
Cost of sales	2	(16,893)	(22,650)
GROSS PROFIT		2,555	3,451
Sales and distribution expenses	2	(546)	(341)
Administrative expenses	2	(3,821)	(3,411)
Other operating income	2, 3	209	501
GROUP OPERATING (LOSS)/PROFIT (INCLUDING ACQUISITION OPERATING PROFIT OF £332,000)		(1,603)	200
Share of operating profit of joint ventures	17	771	2,564
Share of operating loss of associate	18	(98)	-
TOTAL OPERATING (LOSS)/PROFIT		(930)	2,764
Profit on disposal of fixed assets - investment properties		171	302
Profit on disposal of investments		109	72
Profit on disposal of subsidiaries and investment in joint venture	4	255	550
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(395)	3,688
Interest receivable and similar income	5	304	717
Share of amounts written off investments of associate	18	(261)	-
Interest payable and similar charges	6	(685)	(883)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(1,037)	3,522
Tax charge on (loss)/profit on ordinary activities	8	(77)	(1,106)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,114)	2,416
Equity dividends paid	10	-	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	29	(1,114)	2,416
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE	11	(5.37p)	10.33p

Consolidated Statement of Total Recognised Gains and Losses

YEAR ENDED 31 MARCH 2004

	Note	2004 £'000	2003 £'000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR			
-group		(1,445)	(86)
-joint ventures		651	2,502
-associate		(320)	-
		(1,114)	2,416
Unrealised surplus on revaluation of investment properties	28	1,323	70
Taxation on valuation surplus realised on sale of investment properties	29	(110)	-
Currency translation differences of foreign currency net investments		31	-
Total recognised gains and losses for the year		130	2,486

Note of Historical Cost Profits and Losses

	Note	2004 £'000	2003 £'000
(Loss)/profit on ordinary activities before taxation		(1,037)	3,522
Realisation of property revaluation gains of earlier years	28	412	1,463
HISTORICAL COST (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(625)	4,985
HISTORICAL COST (LOSS)/PROFIT RETAINED FOR THE YEAR AFTER TAXATION AND DIVIDENDS		(812)	3,879

Consolidated Balance Sheet

31 MARCH 2004

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Intangible assets - goodwill	14	-	-
Tangible assets	15	5,748	4,993
Investment properties	16	3,981	2,808
Investment in joint ventures			
Share of gross assets		4,649	4,564
Share of gross liabilities		(627)	(1,144)
	17	4,022	3,420
Investment in associate	18	661	1,000
Other investments	19	3,926	4,281
		18,338	16,502
CURRENT ASSETS			
Stocks	20	13,409	5,965
Debtors	21	2,649	3,826
Cash at bank and in hand		2,212	4,783
		18,270	14,574
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	22	(4,385)	(5,122)
NET CURRENT ASSETS		13,885	9,452
TOTAL ASSETS LESS CURRENT LIABILITIES		32,223	25,954
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	23	(13,624)	(6,905)
		18,599	19,049
CAPITAL AND RESERVES			
Called up equity share capital	25	985	1,047
Share premium account	26	5,304	5,304
Capital redemption reserve	27	702	640
Investment property revaluation reserve	28	1,497	586
Profit and loss account	29	10,111	11,472
EQUITY SHAREHOLDERS' FUNDS	35	18,599	19,049

These financial statements were approved by the Board of Directors on 29 July 2004.

Signed on behalf of the Board of Directors

L G Lipman
Director

P M Davis
Director

Company Balance sheet

31 MARCH 2004

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Tangible assets	15	2,153	2,247
Investment in joint ventures	17	50	50
Investment in associate	18	981	1,000
Other investments	19	4,042	4,297
		7,226	7,594
CURRENT ASSETS			
Stocks	20	9,200	2,224
Debtors	21	11,437	10,736
Cash at bank and in hand		1,855	4,579
		22,492	17,539
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	22	(7,411)	(12,082)
NET CURRENT ASSETS		15,081	5,457
TOTAL ASSETS LESS CURRENT LIABILITIES		22,307	13,051
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	23	(10,923)	(4,732)
		11,384	8,319
CAPITAL AND RESERVES			
Called up equity share capital	25	985	1,047
Share premium account	26	5,304	5,304
Capital redemption reserve	27	702	640
Profit and loss account	29	4,393	1,328
EQUITY SHAREHOLDERS' FUNDS	35	11,384	8,319

These financial statements were approved by the Board of Directors on 29 July 2004.

Signed on behalf of the Board of Directors

L G Lipman
Director

P M Davis
Director

Consolidated Cash Flow Statement

YEAR ENDED 31 MARCH 2004

	Note	2004 £'000	2003 £'000
Net cash (outflow)/inflow from operating activities	30	(8,452)	2,125
Returns on investment and servicing of finance	31	(318)	(111)
Taxation		(843)	(720)
Capital expenditure and financial investment	31	(393)	826
Acquisitions and disposals	31	631	4,608
Cash (outflow)/inflow before financing		(9,375)	6,728
Financing	31	6,240	(5,347)
(Decrease)/increase in cash	32	(3,135)	1,381

Notes to the Accounts

YEAR ENDED 31 MARCH 2004

1 ACCOUNTING POLICIES

The principal accounting policies are described below. They have all been applied consistently throughout the year and the preceding year.

Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investment properties held as fixed assets in accordance with Statement of Standard Accounting Practice 19 (SSAP 19) and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Safeland plc and all its subsidiary companies drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Goodwill

For acquisitions of a business, including an interest in an associated undertaking, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of twenty years. Capitalised purchased goodwill relating to associates is included within the carrying value of the associate.

Goodwill which arose on the acquisition of a business, including an interest in associated undertaking, prior to the implementation of FRS 10 which was written off to the profit and loss reserve as a matter of accounting policy, remains eliminated in that reserve and will be charged or credited in the profit and loss account as appropriate on the subsequent disposal of the business to which it relates.

Joint ventures

In the consolidated financial statements, shares in joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the group's share of the pre-tax profits and attributable taxation. In the consolidated balance sheet, the investment in joint ventures is shown as the group's share of the gross assets and gross liabilities of the joint ventures.

Associates

In the consolidated financial statements, investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the group's share of the pre-tax profits and attributable taxation, while the group's share of the net assets of the associate is shown in the consolidated balance sheet. Positive and negative goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Turnover

Turnover comprises the sales proceeds from properties previously held as trading stock, rental income from investment properties and self-storage operations and fees for the provision of services falling within the ordinary activities of the group, excluding value added tax where applicable. Sale of a trading property is recognised on completion of a contract.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost of assets to their estimated residual values over the period of their estimated useful economic lives at the following rates:

Freehold land and buildings	2 per cent per annum (straight line)
Motor vehicles	25 per cent per annum (reducing balance)
Fixtures, fittings and equipment	20 per cent per annum (reducing balance)

The freehold land and buildings are stated at cost.

Stock

Properties held for development and resale are stated at the lower of cost and net realisable value. Cost comprises purchase price, acquisition and development costs but excludes interest, which is written off to the profit and loss account as incurred. Purchases of properties are recognised on completion of contracts.

Investment properties

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. No depreciation is provided in respect of investment properties. Sale or purchase of an investment property is recognised on completion of a contract.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Taxation arising on disposal of a revalued asset is split between the profit and loss account and the statement of total recognised gains and losses on the basis of the tax attributable to the gain or loss recognised in each statement.

Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

Notes to the Accounts

YEAR ENDED 31 MARCH 2004

2 SEGMENTAL INFORMATION

	2004 £'000	2003 £'000
GROUP TURNOVER		
Property trading and refurbishment	19,116	25,898
Investment properties	111	202
Self storage	221	1
	19,448	26,101
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Property trading and refurbishment	(289)	3,169
Investment properties	211	488
Self storage	(639)	(135)
Tecc-IS (associate)	(320)	-
	(1,037)	3,522
NET ASSETS		
Property trading and refurbishment	11,753	12,835
Investment properties	3,939	2,818
Self storage	2,246	2,396
Tecc-IS (associate)	661	1,000
	18,599	19,049

All turnover (by origin and destination), results before taxation and net assets in the current and preceding financial year are derived from activities carried out in the United Kingdom, except for the self storage operation, which operates in Italy, Tecc-IS plc, the associated undertaking, which operates mainly in Israel and the results and net assets of the Brackdale joint venture, which operates in South Africa and contributed £60,000 (2003: £13,000) to profit before taxation in the year and £nil (2003: £8,000) to net assets. The residential property and Brackdale joint ventures are reported within property trading and refurbishment.

On 30 June 2003, the group acquired 100% of the issued share capital of Protea Properties Limited. The impact of the acquisition on the group's results for the year is set out below:

	Existing operations £'000	Acquisitions £'000	2004 Total £'000
Turnover	12,759	6,689	19,448
Cost of sales	(10,735)	(6,158)	(16,893)
Gross profit	2,024	531	2,555
Sales and distribution expenses	(460)	(86)	(546)
Administrative expenses	(3,708)	(113)	(3,821)
Other operating income	209	-	209
Group operating (loss)/profit	(1,935)	332	(1,603)

The profit after tax arising from acquisitions in the year was £303,000 (2003 - £Nil).

3 OTHER OPERATING INCOME

	2004 £'000	2003 £'000
Net rental income from trading properties	209	488
Profit on disposal of tangible fixed assets	-	13
	209	501

4 SALE OF SUBSIDIARIES AND INVESTMENT IN JOINT VENTURE

Three wholly-owned subsidiaries of Safeland plc were disposed of during the year: Silverlake Properties Limited, Honeyglen Properties Limited and Regalbond Limited. None of the subsidiary undertakings disposed of contributed any pre-tax results to the group in the year (2003: £nil). The profits recognised on disposal were £155,000, £139,000 and £nil respectively. Cash received in respect of these sales was £1,700,000.

The group's share in Brackdale Investments (Proprietary) Limited, a 50% joint venture, was disposed of during the year. It contributed £60,000 to the pre-tax results of the group in the year (2003: £13,000). The profit recognised on disposal was £56,000. Consideration in respect of this sale was £106,000.

Goodwill of £95,000 that was previously written off to reserves has been charged to the profit and loss account in the year and a corresponding adjustment has been made to reserves.

The following table sets out the book value of assets and liabilities disposed of on the sale of the three subsidiaries and the interest in the joint venture.

	Subsidiary undertakings £'000	Joint venture £'000
Tangible fixed assets	-	355
Stocks	1,406	-
Debtors	-	20
Cash at bank and in hand	-	54
Creditors	-	(379)
Net assets	1,406	50
Profit on disposal	294	56
	1,700	106
Satisfied by:		
Cash	1,700	-
Forgiveness of liability owed to joint venture partner	-	106
	1,700	106

Notes to the Accounts

YEAR ENDED 31 MARCH 2004

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2004 £'000	2003 £'000
Income from fixed asset investments	94	141
Bank deposit interest	64	170
Interest on late completion of contracts	29	61
Interest from joint venture	41	324
Other interest receivable	26	4
Group interest receivable	254	700
Share of joint ventures' interest receivable	11	17
Share of associate's interest receivable	39	-
	304	717

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £'000	2003 £'000
Interest on bank overdrafts and loans	569	808
Other interest payable	3	1
Group interest payable	572	809
Share of joint ventures' interest payable	113	74
	685	883

7 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £'000	2003 £'000
(Loss)/profit on ordinary activities before taxation is arrived at after charging:		
Depreciation on owned assets	322	217
Amortisation of goodwill	100	-
Amounts written off investment properties	59	-
Loss on disposal of tangible fixed assets	42	-

Amounts payable to Deloitte & Touche LLP in respect of both audit and non-audit services are set out below:	**2004 £'000**	**2003 £'000**
Services as auditors, including £49,000 for the company (2003 - £49,000)	69	69
Further assurance services		
- interim procedures	4	5
- tax compliance	2	38
- other accounting services	6	-
	12	43
Other non-audit services		
- agreed upon procedures	24	-
	105	112

In addition to the fees disclosed above, Eduardo Sansoni received audit fees of £3,343 (2003: £2,121) as auditors of the group's Italian subsidiary.

8 TAX CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	**2003 £'000**
CURRENT TAX		
Corporation tax	69	1,062
Adjustment in respect of prior years	(10)	39
Group current taxation	59	1,101
Share of joint ventures' taxation	18	5
Total tax on (loss)/profit on ordinary activities	77	1,106

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current year exceeds the standard rate for the reasons set out in the following reconciliation:

	2004 £'000	**2003 £'000**
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(1,037)	3,522
Tax on (loss)/profit on ordinary activities at standard rate	(311)	1,057
FACTORS AFFECTING CHARGE FOR THE YEAR		
UK dividend income	(28)	(42)
Capital allowances in excess of depreciation	13	21
Chargeable gains	18	33
Disallowable expenditure	139	5
Overseas tax losses carried forward	157	20
Share of associate's loss before tax	96	-
Other reconciling items	(15)	(32)
Adjustment in respect of prior years	(10)	39
Group tax charge on profit on ordinary activities	59	1,101

Details of unprovided deferred tax balances are included in note 34.

Notes to the Accounts

YEAR ENDED 31 MARCH 2004

9 PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF SAFELAND PLC

	2004 £'000	2003 £'000
Dealt with in the accounts of the company	3,740	817

The company has taken advantage of section 230 of the Companies Act 1985 and consequently a profit and loss account for the company alone has not been presented.

10 EQUITY DIVIDENDS PAID AND PROPOSED

No interim dividend has been paid or final dividend declared in either year.

11 (LOSS)/EARNINGS PER SHARE

Basic and diluted loss per share of 5.37p (2003: earnings of 10.33p) are based on the loss for the financial year of £1,114,000 (2003: profit of £2,416,000) and on 20,754,333 ordinary shares (2003: 23,393,843 ordinary shares) being the weighted average number of shares in issue throughout the year.

The calculation of diluted (loss)/earnings per share uses the same (loss)/earnings figure and weighted average number of shares as the basic calculation, as the exercise value of all share options in issue is higher than the share price at year end.

12 EMPLOYEES

Number of employees (including executive directors):

	2004 Number	2003 Number
Sales	4	4
Administration	9	10
	13	14

The costs incurred in respect of these employees (including executive directors) were:

	2004 £'000	2003 £'000
Wages and salaries	1,450	2,019
Social security costs	206	204
	1,656	2,223

13 DIRECTORS' REMUNERATION AND INTERESTS

The analysis of directors' remuneration is as follows:

	2004 £'000	2003 £'000
Directors' remuneration	1,449	1,840

Directors' remuneration disclosed above includes payments as compensation for loss of office totalling £327,000 (2003: £nil) for one director (2003: none).

Further details of directors' remuneration are provided in the directors' remuneration report on pages 9 to 10.

Details of directors' interests in the shares and share options of the company are provided in the directors' report and the directors' remuneration report.

The Lipman directors own certain leasehold properties, the freeholds of which are owned by the group. Service charges and rents are charged by the group to the directors in respect of these properties on an open market basis. During the year, the amount invoiced and received totalled £325 (2003: £325), and this amount has been included within other operating income.

14 INTANGIBLE FIXED ASSETS

Group	Purchased goodwill £'000
COST	
At 1 April 2003	-
Additions	100
At 31 March 2004	100
AMORTISATION	
At 1 April 2003	-
Charge in the year	100
At 31 March 2004	100
NET BOOK VALUE	
At 1 April 2003 and 31 March 2004	-

On 30 June 2003, the group acquired 100% of the issued share capital of Protea Properties Limited. Further details of this acquisition are disclosed in note 19.

Notes to the Accounts

YEAR ENDED 31 MARCH 2004

15 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
COST				
At 1 April 2003	4,662	500	284	5,446
Additions	941	460	62	1,463
Disposals	-	(539)	-	(539)
At 31 March 2004	5,603	421	346	6,370
DEPRECIATION				
At 1 April 2003	110	193	150	453
Charge for the year	147	95	80	322
Disposals	-	(153)	-	(153)
At 31 March 2004	257	135	230	622
NET BOOK VALUE				
At 31 March 2004	5,346	286	116	5,748
At 31 March 2003	4,552	307	134	4,993

Company	Freehold land and buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
COST				
At 1 April 2003	1,844	500	284	2,628
Additions	34	460	1	495
Disposals	-	(539)	-	(539)
At 31 March 2004	1,878	421	285	2,584
DEPRECIATION				
At 1 April 2003	38	193	150	381
Charge for the year	37	95	71	203
Disposals	-	(153)	-	(153)
At 31 March 2004	75	135	221	431
NET BOOK VALUE				
At 31 March 2004	1,803	286	64	2,153
At 31 March 2003	1,806	307	134	2,247

16 FREEHOLD INVESTMENT PROPERTIES

	Group £'000
AT VALUATION	
At 1 April 2003	2,808
Additions	742
Disposals	(833)
Revaluation during the year	1,323
Amounts written off in the year	(59)
At 31 March 2004	3,981
Valued externally by Drivers Jonas, Chartered Surveyors	2,228
Valued internally by R E Pryce FRICS FSVA	1,753
	3,981

The company held no investment properties during the current and previous years.

The properties valued at the year end have been valued on the basis of market value as defined in the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

The historical cost of investment properties included in the financial statements at valuation is £2,543,000 (2003: £2,222,000).

17 INVESTMENT IN JOINT VENTURES

	Group £'000	Company £'000
SHARE OF NET ASSETS/COST		
At 1 April 2003	3,420	50
Share of retained profit for the year	651	-
Foreign currency translation difference	1	-
Share of net assets sold	(50)	-
At 31 March 2004	4,022	50

The following information is given in respect of the group's share of joint ventures:

	AMI £'000	Brackdale £'000	2004 Total £'000	AMI £'000	Brackdale £'000	2003 Total £'000
GROUP SHARE OF RESULTS						
Turnover	1,118	198	1,316	4,377	43	4,420
Operating profit	676	95	771	2,551	13	2,564
Interest received	3	8	11	5	12	17
Interest paid	(70)	(43)	(113)	(62)	(12)	(74)
Profit before tax	609	60	669	2,494	13	2,507
Tax	-	(18)	(18)	-	(5)	(5)
Profit after tax	609	42	651	2,494	8	2,502

Notes to the Accounts

YEAR ENDED 31 MARCH 2004

17 INVESTMENT IN JOINT VENTURES CONTINUED

	AMI £'000	Brackdale £'000	2004 Total £'000	AMI £'000	Brackdale £'000	2003 Total £'000
GROUP SHARE OF NET ASSETS						
Fixed assets	-	-	-	-	304	304
Current assets	3,883	-	3,883	2,834	50	2,884
Debtors over one year	766	-	766	1,376	-	1,376
Current liabilities	(160)	-	(160)	(198)	(346)	(544)
Liabilities due over one year	(467)	-	(467)	(600)	-	(600)
Share of net assets	4,022	-	4,022	3,412	8	3,420
Effective group share	51%	-		51%	50%	

The AMI joint venture comprises a joint operation between Cranmer Finance Limited, a wholly-owned subsidiary of Safeland plc, and Alliance and Mutual Investment Company Limited ("AMI"). The group holds a 51 per cent investment in the joint venture. The principal activity of the joint venture is residential property trading.

AMI is responsible for the day-to-day operation of the joint venture whereas the group provides the financing and the administrative functions. Both parties are responsible for the control of the joint venture and joint decisions are made on the financial and operating policies. The principal place of business is 94-96 Great North Road, London, N2 0NL.

The Brackdale joint venture was a 50 per cent holding in Brackdale Investments (Proprietary) Limited ("Brackdale"), a company incorporated in South Africa. The principal activity of the joint venture was property trading. The group's share in the joint venture was disposed of during the year. Further details of the disposal are disclosed in note 4.

18 INVESTMENT IN ASSOCIATE

	Group £'000	Company £'000
SHARE OF NET ASSETS/COST		
At 1 April 2003	1,273	1,000
Adjustment to cost of acquisition	-	(19)
Adjustment to fair values on acquisition	(113)	-
Share of operating loss for the year	(130)	-
Share of interest receivable for the year	39	-
Share of amounts written off investments	(261)	-
At 31 March 2004	808	981
NEGATIVE GOODWILL		
At 1 April 2003	273	-
Adjustment to cost of acquisition	19	-
Adjustment to fair values on acquisition	(113)	-
Amortisation of goodwill	(32)	-
At 31 March 2004	147	-
NET BOOK VALUE		
At 31 March 2004	661	981
At 31 March 2003	1,000	1,000

On 27 March 2003, Safeland plc acquired an option to purchase 25% of the share capital of Tecc-IS plc, an AIM listed company. On 9 April 2003, Safeland plc exercised the option and purchased 10,843,250 Tecc-IS shares for £1 million, representing 25% of the ordinary share capital. The actual acquisition cost was subsequently reduced to £981,000 and Safeland plc's interest in Tecc-IS plc was diluted to 24.89% during the year.

In accordance with FRS 9, Tecc-IS plc was accounted for as an associate as at 31 March 2003 and it continues to be accounted for on this basis. The statutory accounts for Tecc-IS plc are drawn up to 31 December each year. As the shares of Tecc-IS plc are listed on AIM, its financial information is restricted and price sensitive, so, in accordance with FRS 9, the group accounts incorporate the most recent financial information of Tecc-IS plc that is publicly available. This is the financial statements for the year ended 31 December 2003. Tecc-IS plc made a loss after taxation for the year ended 31 December 2003 of £1,408,000 (2002: £639,000).

In accordance with FRS 7, the fair values of the identifiable assets and liabilities have been reviewed and the provisional values used as at 31 March 2003 have been updated as set out below:

	Book value £'000	Share of net assets acquired £'000	Fair value to group £'000
Fixed asset investments	1,600	400	400
Debtors	79	20	20
Cash at bank and in hand	2,983	746	746
Creditors	(101)	(25)	(25)
Net assets	4,561	1,141	1,141
Negative goodwill			(160)
			981
Satisfied by:			
Cash			981

The negative goodwill arising on acquisition is being written off over five years.

19 OTHER INVESTMENTS

Group	Other investments £'000
COST	
At 1 April 2003	4,997
Disposals	(355)
At 31 March 2004	4,642
PROVISION FOR IMPAIRMENT	
At 1 April 2003 and 31 March 2004	716
NET BOOK VALUE	
At 31 March 2004	3,926
At 31 March 2003	4,281

Notes to the Accounts

YEAR ENDED 31 MARCH 2004

19 OTHER INVESTMENTS CONTINUED

Company	Investments in subsidiaries £'000	Other investments £'000	Total £'000
COST			
At 1 April 2003	32	4,981	5,013
Additions	100	-	100
Disposals	-	(355)	(355)
At 31 March 2004	132	4,626	4,758
PROVISION FOR IMPAIRMENT			
At 1 April 2003 and 31 March 2004	-	716	716
NET BOOK VALUE			
At 31 March 2004	132	3,910	4,042
At 31 March 2003	32	4,265	4,297

Acquisition in year

On 30 June 2003, the company acquired 100% of the issued share capital of Protea Properties Limited, a company incorporated in Jersey, for £100,000. The book value and fair value of assets and liabilities acquired are set out below:

	Book and fair value to group £'000
Debtors	588
Cash	12
Creditors	(600)
	-
Goodwill	100
	100
Satisfied by:	
Cash	100
Net cash outflows in respect of the acquisition comprised:	
Cash consideration	100
Less: cash acquired	(12)
	88

The principal activity of Protea Properties Limited was to acquire a block of properties and to subsequently dispose of these assets. During the period from date of acquisition by Safeland plc, the company completed the acquisition of these properties and subsequently sold over 90% of the assets acquired. Consequently, all of the goodwill arising on acquisition has been written off in the year.

Principal subsidiaries

The principal subsidiaries at 31 March 2004 and their principal activities are as follows:

Safeland Investments Limited	Property investment
Pullpower Limited	Property trading and investment
Placeadmit Limited	Property trading and investment
Safeland Ground Rents Limited	Property trading and investment
Espazio SRL	Provision of self storage in Italy

All subsidiaries, except Espazio SRL, are incorporated in Great Britain and registered in England and Wales. Espazio SRL is incorporated in Italy. The share capital of all subsidiaries is wholly-owned by Safeland plc. All subsidiaries, except Espazio SRL, operate in the United Kingdom. Espazio SRL operates in Italy.

Other investments

The group owns 1,000,000 (2003: 1,172,777) ordinary equity shares (representing approximately 5.21% of the issued equity) in Hercules Property Services plc, which is registered in England and Wales. This investment is stated at cost in the financial statements at £2,058,000 (2003: £2,413,000). The market value of the group's investment at 31 March 2004 was approximately £2,856,000 (2003: £897,000).

The group owns 6,615,900 (2003: 6,615,900) ordinary equity shares (representing approximately 11.60% of the issued equity) in Bizspace plc, which is registered in England and Wales. This investment is stated at cost of £2,584,000 less provision for impairment of £716,000 giving a carrying value in the financial statements of £1,868,000 (2003: £1,868,000). The market value of the group's investment at 31 March 2004 was approximately £2,266,000 (2003: £1,522,000).

20 STOCKS

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Properties for resale	13,409	5,965	9,200	2,224

21 DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Due within one year:				
Trade debtors	21	1,338	-	1,338
Amounts due from subsidiary undertakings	-	-	9,158	7,964
Amount due from joint venture	-	319	-	319
VAT receivable	185	375	185	-
Corporation tax receivable	570	805	570	791
Other debtors	1,809	950	571	324
Prepayments	64	39	22	-
	2,649	3,826	10,506	10,736
Due after more than one year				
Deferred tax asset	-	-	931	-
	2,649	3,826	11,437	10,736

Notes to the Accounts

YEAR ENDED 31 MARCH 2004

21 DEBTORS CONTINUED

The company is the beneficial owner of the group's interest in the AMI joint venture (see note 17) and is taxed on the group's share of profit arising on that joint venture. Although the joint venture profit is recognised in the group accounts, it has not been recognised in the company's own accounts. This gives rise to a timing difference that will reverse when the profit is recognised in the company's financial statements.

	Company
Deferred tax asset	**£'000**
At 1 April 2003	-
Credited to profit and loss account	931
At 31 March 2004	931

22 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	**2003**	**2004**	**2003**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans and overdrafts	1,224	657	894	357
Trade creditors	346	160	94	64
Amounts due to subsidiary undertakings	-	-	1,821	5,637
Amounts due to joint venture	1,885	1,345	4,055	4,210
Corporation tax	301	1,210	-	-
Other taxation and social security	76	64	74	64
Other creditors	6	1,000	-	1,092
Accruals and deferred income	547	686	473	658
	4,385	5,122	7,411	12,082

The bank loans and overdrafts are secured on properties owned by the group and its joint ventures.

23 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2004	**2003**	**2004**	**2003**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans	12,822	5,910	10,923	4,732
Accruals	802	995	-	-
	13,624	6,905	10,923	4,732

The bank loans are secured on properties owned by the group and its joint ventures.

Bank loans and overdrafts are repayable as follows:

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Between one and two years	6,059	2,961	5,675	2,661
Between two and five years	5,467	1,940	4,579	1,062
After five years	1,296	1,009	669	1,009
	12,822	5,910	10,923	4,732
On demand or within one year	1,224	657	894	357
	14,046	6,567	11,817	5,089

24 FINANCIAL INSTRUMENTS

The group's principal financial instruments at 31 March 2004 comprise variable rate loans and an interest rate swap. The main purpose of these financial instruments is to finance the group's property acquisitions, minimise the exposure to interest rate movements and to enable the settlement of ongoing liabilities.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Interest rate profile

	Floating	Non-interest bearing	Total
Financial assets	£'000	£'000	£'000
2004			
Sterling	1,861	7	1,868
Euro	344	-	344
	2,205	7	2,212
2003			
Sterling	3,131	1,467	4,598
Euro	185	-	185
	3,316	1,467	4,783

The group's floating rate financial assets comprise cash and short-term deposits. The non-interest bearing financial assets comprise cash held in non-interest bearing accounts.

Notes to the Accounts

YEAR ENDED 31 MARCH 2003

24 FINANCIAL INSTRUMENTS CONTINUED

Financial liabilities	Floating £'000	Fixed £'000	Non-interest bearing £'000	Total £'000
2004				
Sterling	8,033	5,000	-	13,033
Euro	1,815	-	-	1,815
	9,848	5,000	-	14,848
2003				
Sterling	1,567	5,000	-	6,567
Euro	-	-	995	995
	1,567	5,000	995	7,562

The fixed interest element of the financial liabilities in both years has been fixed by an interest rate swap taken out on 30 May 2001 that fixed LIBOR at 5.84% for £5,000,000. This expires on 30 May 2006.

The floating rate financial liabilities comprise bank loans and overdrafts, together with the final payment owed on a building purchased in March 2003 and bear interest rates at between 1% and 3% over either bank base rate, LIBOR or EURIBOR.

The non-interest bearing financial liability at 31 March 2003 was the long-term creditor relating to the final payment owed on a building purchased in March 2003. This was converted to a floating rate financial liability during the year.

Currency risk

All of the group's operations are based in the United Kingdom, except for the self storage subsidiary which operates in Italy. All monetary assets and liabilities are denominated in the functional currency in which each company operates except for a euro denominated loan from Safeland plc to its Italian subsidiary of €4,371,000 (2003: €3,668,000) that translated to £2,922,000 (2003: £2,532,000).

At 31 March 2003, the group had additional currency risk through its joint venture in South Africa which has now been sold.

Maturity of financial liabilities

An analysis of the maturity of the group's bank loans is given in note 23. The group's only other financial liability is from a long-term creditor which is payable by 1 April 2006.

Borrowing facilities

The group had undrawn committed borrowing facilities as shown below.

	2004 £'000	2003 £'000
Loans due to be repaid in one year	-	500

Fair values

The directors consider that the only difference between book and fair values of the group's financial assets and liabilities is the interest rate swap. The book and fair values for this are set out below:

	2004		2003	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Interest rate swap	-	(115)	-	(335)

Hedging

It is group policy to hedge interest rate risk via use of the interest rate swap. This swap has exchanged the interest on £5,000,000 of debt from variable rate to fixed rate. Gains and losses on hedging are not recognised until the exposure that is being hedged is recognised. Unrecognised gains and losses on instruments used for hedging are as follows:

	Gains		Losses	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Interest rate swap	-	-	115	335

25 CALLED UP EQUITY SHARE CAPITAL

	5p ordinary shares	
	Number	£'000
Authorised:		
At 1 April 2003 and 31 March 2004	45,750,000	2,288
Allotted, called up and fully paid:		
At 1 April 2003	20,929,770	1,047
Shares repurchased during the year	(1,240,668)	(62)
At 31 March 2004	19,689,102	985

The company purchased 1,240,668 of its own shares during the year for a total consideration of £675,000, comprising nominal value of £62,000. A balance of £62,000 has been transferred to the capital redemption reserve.

Details of all outstanding share options are included in the directors' remuneration report.

26 SHARE PREMIUM ACCOUNT

	Group	Company
	£'000	£'000
At 1 April 2003 and 31 March 2004	5,304	5,304

Notes to the Accounts

YEAR ENDED 31 MARCH 2003

27 CAPITAL REDEMPTION RESERVE

	Group £'000	Company £'000
At 1 April 2003	640	640
Purchase of own shares (see note 25)	62	62
At 31 March 2004	702	702

28 INVESTMENT PROPERTY REVALUATION RESERVE

	Group £'000	Company £'000
At 1 April 2003	586	-
Revaluations in the year	1,323	-
Transfer to profit and loss account	(412)	-
At 31 March 2004	1,497	-

29 PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 April 2003	11,472	1,328
Goodwill previously written off to reserves	95	-
Retained (loss)/profit for the year	(1,114)	3,740
Purchase of own shares (see note 25)	(675)	(675)
Transfer from investment property revaluation reserve	412	-
Taxation on valuation surplus realised on sale of investment properties	(110)	-
Foreign currency translation differences	31	-
At 31 March 2004	10,111	4,393

The cumulative goodwill written off to the profit and loss account at the year end was £nil (2003: £95,000).

30 RECONCILIATION OF OPERATING(LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2004 £'000	2003 £'000
Operating (loss)/profit	(1,603)	200
Amortisation of goodwill	100	-
Depreciation	322	217
Amounts written off investment properties	59	-
Loss/(profit) on sale of fixed assets	42	(13)
Increase in stocks	(8,850)	(648)
Decrease in debtors	1,451	2,949
Increase/(decrease) in creditors	27	(580)
Net cash (outflow)/inflow from operating activities	(8,452)	2,125

31 ANALYSIS OF CASH FLOWS

	2004 £'000	2003 £'000
Returns on investment and servicing of finance		
Interest received	160	558
Interest paid	(572)	(810)
Dividends received	94	141
	(318)	(111)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,463)	(2,540)
Purchase of investment properties	(742)	(1,091)
Disposal of tangible fixed assets	344	439
Disposal of investment properties	1,004	3,495
Disposal of investments	464	523
	(393)	826
Acquisitions and disposals		
Purchase of subsidiary undertaking (net of £12,000 cash acquired)	(88)	-
Purchase of investment in associate	(981)	-
Sale of subsidiary undertaking	1,700	4,608
	631	4,608
Financing		
Purchase of own shares	(675)	(2,156)
Loan repayments	(1,184)	(4,691)
New loans	8,099	1,500
	6,240	(5,347)

Notes to the Accounts

YEAR ENDED 31 MARCH 2004

32 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004 £'000	2003 £'000
(Decrease)/increase in cash in the year	(3,135)	1,381
Cash (inflow)/outflow from (increase)/decrease in debt	(6,915)	3,191
Change in net debt resulting from cash flows	(10,050)	4,572
Net debt brought forward	(1,784)	(6,356)
Net debt carried forward	(11,834)	(1,784)

33 ANALYSIS OF NET DEBT

	At 31 March 2003 £'000	Cash flows £'000	At 31 March 2004 £'000
Cash at bank and in hand	4,783	(2,571)	2,212
Bank overdrafts	-	(564)	(564)
	4,783	(3,135)	1,648
Debt due within one year	(657)	(3)	(660)
Debt due after one year	(5,910)	(6,912)	(12,822)
	(1,784)	(10,050)	(11,834)

34 UNPROVIDED DEFERRED TAX

The amounts of unprovided deferred tax (assets)/liabilities in the accounts are as follows:

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Capital allowances in excess of depreciation	(26)	(27)	(13)	(27)
Provisions	(30)	(30)	(30)	(30)
Surplus on revaluation	390	236	-	-
Write down of investments	-	(215)	-	(215)
	334	(36)	(43)	(272)

In addition to the deferred tax assets disclosed above, there is a potential deferred tax asset in the group accounts arising from trading losses arising in the Italian self storage subsidiary. A deferred tax asset has not been provided for in the group financial statements due to the uncertainty as to the timing of future profits arising from the same trade within this subsidiary. The deferred tax asset amounts to £79,000 (2003: £32,000).

35 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group		Company	
	2004	**2003**	**2004**	**2003**
	£'000	**£'000**	**£'000**	**£'000**
(Loss)/profit for the financial year	(1,114)	2,416	3,740	817
Other recognised gains and losses in the year	1,244	70	-	-
Goodwill previously written off to reserves	95	-	-	-
Repurchase of shares	(675)	(2,156)	(675)	(2,156)
Net (reduction)/increase in equity shareholders' funds	(450)	330	3,065	(1,339)
Opening equity shareholders' funds	19,049	18,719	8,319	9,658
Closing equity shareholders' funds	18,599	19,049	11,384	8,319

36 RELATED PARTY TRANSACTIONS

Protea Properties Limited

On 30 June 2003, 100% of the issued share capital of this company was acquired for £100,000 from a trust whose beneficiary is a connected person with Raymond Lipman, and it is therefore a related party transaction. Details of the assets and liabilities acquired and the consideration paid are set out in note 19. The results of the acquired company since acquisition are shown in note 2. The directors believe that the transaction was concluded at arm's length.

Transactions with directors

During the course of the year under review Larry Lipman received certain interest-free short term loans in the amount of £110,000 as follows: £15,000 for 45 days, £40,000 for 76 days, £10,000 for 65 days, £20,000 for 28 days and £25,000 for 34 days pursuant to transactions, arrangements and agreements which were entered into contrary to section 330 of the Companies Act 1985. The maximum amount outstanding at any one time was £70,000. All amounts were repaid in the year and no amounts were outstanding at the year end or the previous year end.

In addition Errol Lipman, Steven Lipman and Larry Lipman incurred amounts relating to a number of items of the relevant directors' personal expenditure, which were paid by the Company. These amounted to £472, £2,061, and £12,570 respectively. The directors repaid the amounts involved without interest to the Company as soon as the matter was drawn to their attention. No monies were outstanding at the year end or the previous year end.

Larry Lipman during the year purchased a motor vehicle for cash from the company for £17,000 which was the amount attached to the vehicle by an independent external valuer.

37 CONTINGENT LIABILITIES

A wholly-owned subsidiary of the company is currently a defendant in litigation with tenants of a property once owned by the subsidiary. Initial judgment has been given for the plaintiffs. The subsidiary is appealing the judgment. After taking legal advice, the directors believe that it is not currently possible to estimate the outcome of the appeal, nor to estimate what damages and costs, if any, may become payable when the case is concluded. Accordingly, the directors have made no provision for such items. An accrual has been made for the estimated costs of pursuing the appeal.

Notice of Annual General Meeting

YEAR ENDED 31 MARCH 2004

Notice is hereby given that the Annual General Meeting of the Company will be held at 94-96 Great North Road, London N2 0NL on 9 September 2004 at 10 am for the following purposes:

As ordinary business:

1 To receive the report of the directors and financial statements for the financial year ended 31 March 2004.

2 To re-elect Larry Glen Lipman as a director of the Company.

3 To re-elect Errol Alan Lipman as a director of the Company.

4 To re-appoint Deloitte and Touche LLP auditors of the Company and to authorise the directors to fix their remuneration.

5 To approve the directors' remuneration report contained in the Annual Report and Financial Statements for the year ended 31 March 2004.

As special business to consider and, if thought fit, to pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution and resolutions 7 and 8 will be proposed as special resolutions:

6 THAT the directors of the Company be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (as amended) (the "Act") to allot any relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £328,151 provided that:

6.1 this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution unless previously varied, revoked, or renewed by the Company in general meeting;

6.2 the Company shall be entitled to make prior to the expiry of such authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and

6.3 all prior authorities to allot relevant securities be revoked but without prejudice to the allotment of any relevant securities already made pursuant to such authorities.

7 THAT:

7.1 the directors of the Company be granted power pursuant to section 95 of the Companies Act 1985 (as amended) (the "Act") to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on them by resolution 6 as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

7.1.1 the allotment of equity securities in connection with a rights issue, subject to such exceptions exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or recognised stock exchange or otherwise in any territory; and for the purposes of this resolution "rights issue" or any other pre-emptive issue means an offer of equity securities to holders of ordinary shares in the Company in proportion to their respective holdings (as nearly as may be); and

7.1.2 the allotment (otherwise than pursuant to paragraph 7.1.1 above) of equity securities up to an aggregate nominal value of £49,222; and shall expire at the conclusion of the next annual general meeting of the Company unless previously varied revoked or renewed by the Company in general meeting provided that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the power hereby conferred had not expired; and

7.2 all prior powers granted under section 95 of the Act be revoked provided that such revocation shall not prejudice the allotment of any equity securities already made pursuant to such powers.

8 THAT the Company be authorised pursuant to section 166 of the Companies Act 1985 (as amended) (the "Act") to make market purchases (as defined in section 163 of the Act) of any ordinary shares of 5p each in the Company ("Ordinary Shares") in such manner and on such terms as the directors may from time to time determine provided that:

8.1 the maximum number of Ordinary Shares authorised to be purchased is 2,951,396;

8.2 the maximum price (exclusive of expenses payable by the Company) which may be paid for each Ordinary Shares is an amount equal to 105 per cent of the average of the middle market quotations for the Ordinary Shares derived from the London Stock Exchange Daily Official List for each of the five business days immediately preceding the day on which the shares are contracted to be purchased and the minimum price (exclusive of expenses payable by the Company) is 5p;

8.3 the authority hereby conferred shall, unless previously varied, revoked or renewed, expire at the conclusion of the next annual general meeting of the Company or at the date fifteen months from the date of passing of this resolution, whichever shall be the earlier; and

8.4 the Company shall be entitled under such authority to make at any time before its expiry or termination any contract to purchase its own shares which will or might be concluded wholly or partly after the expiry or termination of such authority and may purchase its own shares pursuant to such contract.

By order of the Board

PAUL MALCOLM DAVIS
Company Secretary

29 July 2004

Registered Office
94-96 Great North Road
London N2 0NL

Notes

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

1 If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 immediately.

2 If you have sold or transferred all your ordinary shares in Safeland plc, please send this document and the enclosed form of proxy to the stockbroker, or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

3 Explanatory statements relating to the special business of the Annual General Meeting are contained in the directors' report under the heading "Business at the Annual General Meeting" on page 7.

4 Only the holders of ordinary shares in the Company are entitled to attend the meeting and vote. A member entitled to attend and vote may appoint a proxy or proxies to attend and on a poll to vote on his behalf. A proxy need not be a member of the company.

5 A form of proxy is provided. To be effective, a form of proxy must be completed, signed and lodged at Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time of the meeting. Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person.

6 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 to be entitled to attend and vote at the Annual General Meeting (and for the purposes of the determination by the Company of the number of votes they may cast) members must be entered on the Company's register of members by 10 am on 7 September 2004.

7 Copies of the following documents will be available for inspection at the Company's registered office during normal business hours on any week day (Saturdays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:

a) the register of directors' interests in shares of the Company kept in accordance with section 325 of the Companies Act 1985; and

b) copies of all service agreements under which directors of the Company are employed by the company or any subsidiaries.

Safeland plc

DESIGN
Energy Design Studio Ltd

PHOTOGRAPHY
Daniela Horakova

PRINT
Simmons Printers Ltd

Safeland plc

94-96 Great North Road, London N2 0NL **Tel:** 020 8815 1600 **Fax:** 020 8815 1601