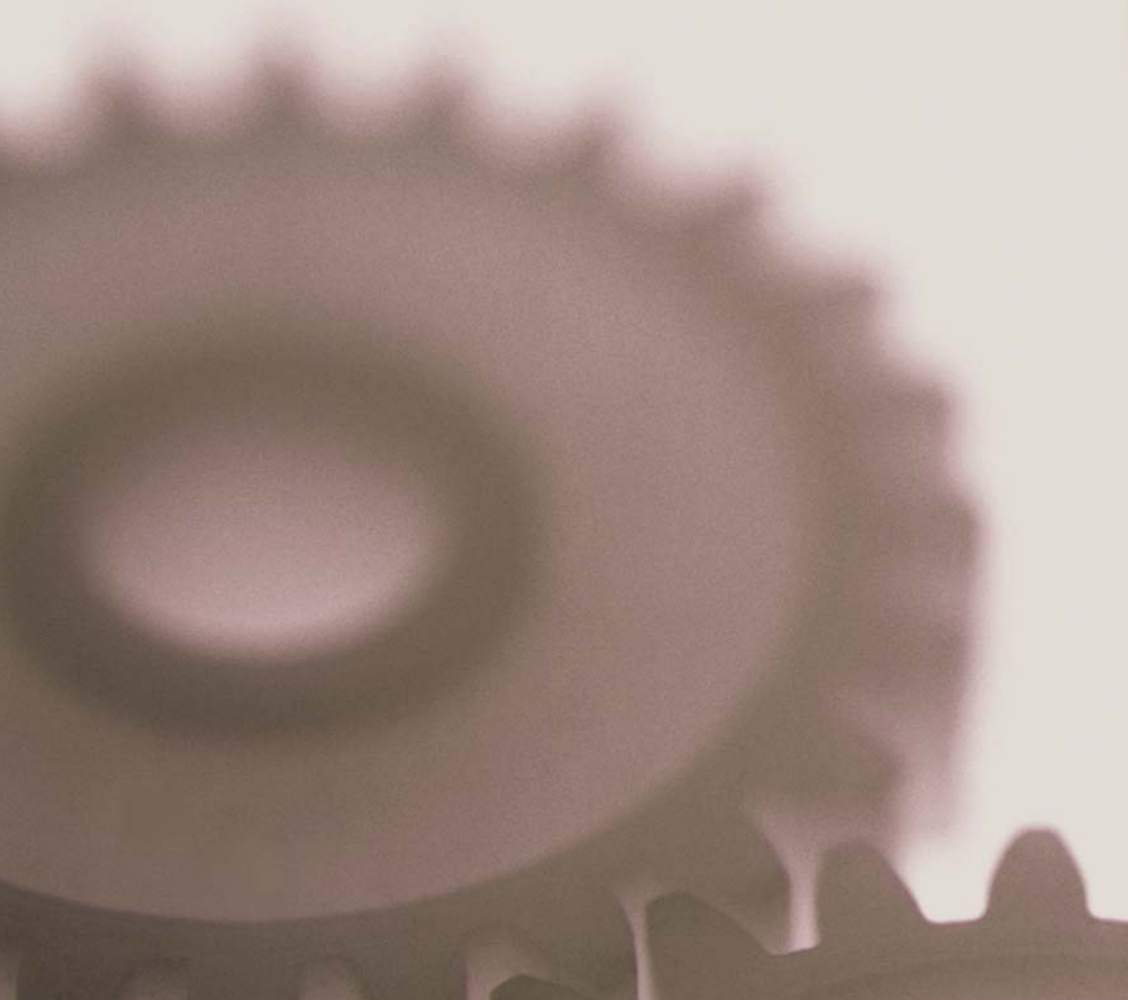
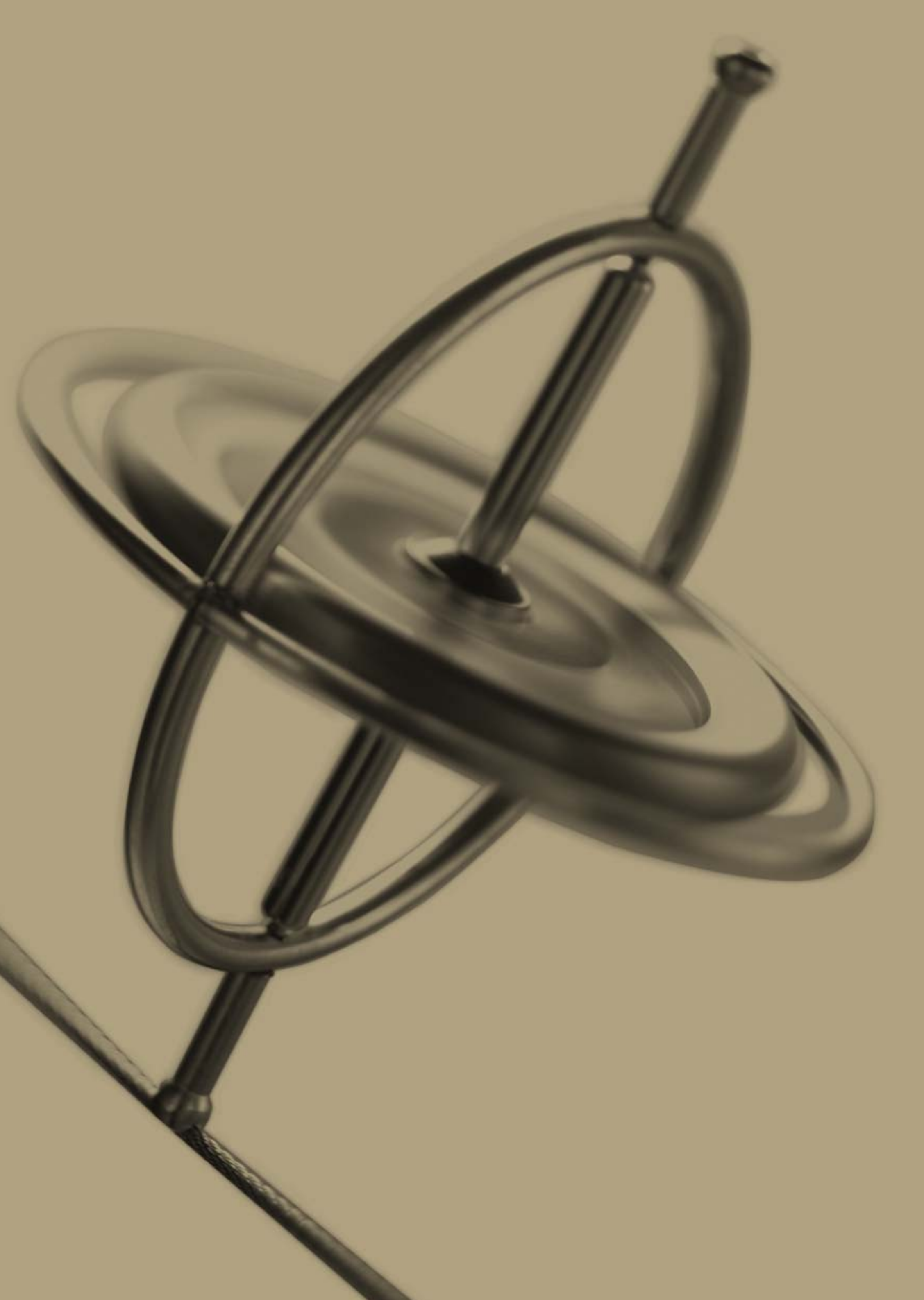
05

Interim Report
& Accounts

Safeland plc





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Chairman's Statement

I am pleased to report that for the six months ended 30 September 2005 the company is reporting a profit before taxation of £79,000 compared to a restated loss of £33,000 for the same period last year. These are the first accounts that have been drawn up under the newly adopted International Financial Reporting Standards (IFRS.)

Revenue has gone down from £15.9m (restated) in 2004, to £10.8m in this period. This is due to there having been a greater incidence of sales of single purpose vehicle subsidiaries than had occurred previously. These transactions are shown below gross profit.

The profit for the period is after taking into consideration the loss from Espazio, the Italian self-storage company, of £331,000 (2004: £356,000). The company will not be declaring an interim dividend.

Net asset value per share at 30 September 2005 is 111p compared with 106p (restated) at 30 September 2004, and earnings per share are 0.30p (2004: loss 0.49p restated).

We have now adopted IFRS and as you will see from the attached financial statements, the main changes arise from the accounting for deferred tax, valuation of quoted investments and treatment of property revaluations. Further details of the impact of the move to IFRS are detailed in notes 7 and 8.

The marketplace has not changed for a few years and whilst we continue to transact a number of purchases and sales we still await more vibrant conditions to which we are well poised to react.

RAYMOND LIPMAN
Chairman

12 December 2005

Unaudited Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Note	Neither audited nor reviewed Six months ended 30 September 2005 £'000	Neither audited nor reviewed Six months ended 30 September 2004 (restated) £'000	Audited Year ended 31 March 2005 (restated) £'000
REVENUE		10,819	15,865	28,456
Direct costs		(9,316)	(14,110)	(23,975)
GROSS PROFIT		1,503	1,755	4,481
Sales and distribution costs		(285)	(455)	(625)
Administrative expenses		(1,940)	(1,447)	(3,528)
Other operating income		83	91	333
Gains on revaluation of investment properties		-	-	99
Profit on disposal of investment properties		-	299	476
Profit on disposal of subsidiaries		818	-	1
OPERATING PROFIT		179	243	1,237
Share of results of associate – post tax		(8)	(4)	(74)
Profit on disposal of available-for-sale investments		-	-	1,201
PROFIT BEFORE INTEREST AND TAX		171	239	2,364
Finance income		275	155	234
Finance costs		(367)	(427)	(756)
PROFIT/(LOSS) BEFORE TAX		79	(33)	1,842
Tax		(24)	(64)	(629)
Profit/(loss) for the period		55	(97)	1,213
Basic earnings/(loss) per share (pence)	4	0.30p	(0.49p)	6.32p
Diluted earnings/(loss) per share (pence)	4	0.30p	(0.49p)	6.32p

Unaudited Consolidated Balance Sheet

AS AT 30 SEPTEMBER 2005

	Neither audited nor reviewed 30 September 2005 £'000	Neither audited nor reviewed 30 September (restated) 2004 £'000	Audited 31 March (restated) 2005 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	5,943	5,927	5,940
Investment properties	4,271	3,048	4,305
Investment in associated undertakings	28	804	36
Available-for-sale investments	5,146	5,511	4,104
TOTAL NON-CURRENT ASSETS	15,388	15,290	14,385
CURRENT ASSETS			
Trading properties	19,541	15,811	11,543
Trade and other receivables	2,957	3,292	5,448
Cash and cash equivalents	2,084	2,212	2,440
TOTAL CURRENT ASSETS	24,582	21,315	19,431
TOTAL ASSETS	39,970	36,605	33,816
CURRENT LIABILITIES			
Borrowings	805	875	813
Trade and other payables	1,730	1,874	2,286
Current tax liabilities	551	387	650
TOTAL CURRENT LIABILITIES	3,086	3,136	3,749
NON-CURRENT LIABILITIES			
Borrowings	15,474	12,475	9,762
Trade and other payables	-	802	-
Deferred tax liability	751	514	458
Derivative financial instruments	51	115	51
TOTAL NON-CURRENT LIABILITIES	16,276	13,906	10,271
TOTAL LIABILITIES	19,362	17,042	14,020
NET ASSETS	20,608	19,563	19,796
EQUITY			
Share capital	925	985	925
Capital reserves	6,116	6,006	6,116
Other reserves	(12)	(20)	(27)
Retained earnings	13,579	12,592	12,782
TOTAL EQUITY	20,608	19,563	19,796

Unaudited Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Note	Neither audited nor reviewed Six months ended 30 September 2005 £'000	Neither audited nor reviewed Six months ended 30 September 2004 (restated) £'000	Audited Year ended 31 March 2005 (restated) £'000
OPERATING ACTIVITIES				
Net cash (outflow)/inflow from operations	6	(11,493)	(379)	1,621
Interest paid		(367)	(427)	(820)
Tax (paid)/repaid		(114)	317	107
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(11,974)	(489)	908
INVESTING ACTIVITIES				
Interest received		239	106	185
Purchase of investment properties		(177)	(323)	(1,689)
Purchase of property, plant and equipment		(374)	(444)	(660)
Proceeds from sale of property, plant and equipment		184	115	215
Proceeds from sale of investment properties		-	1,555	1,940
Proceeds from sale of available-for-sale investments		-	-	3,259
Dividends received from available-for-sale investments		36	49	49
Disposal of subsidiaries		6,006	-	52
NET CASH INFLOW FROM INVESTING ACTIVITIES		5,914	1,058	3,351
FINANCING ACTIVITIES				
Proceeds from issue of share capital		-	-	50
Purchase of own shares		-	-	(760)
Net increase/(decrease) in borrowings		5,676	(249)	(2,917)
NET CASH INFLOW/(OUTFLOW)FROM FINANCING ACTIVITIES		5,676	(249)	(3,627)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(384)	320	632
Cash and cash equivalents at beginning of period		2,430	1,798	1,798
CASH AND CASH EQUIVALENTS AT END OF PERIOD		2,046	2,118	2,430

Unaudited Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Neither audited nor reviewed Six months ended 30 September 2005 £'000	Neither audited nor reviewed Six months ended 30 September 2004 (restated) £'000	Audited Year ended 31 March 2005 (restated) £'000
OPENING EQUITY (AS PREVIOUSLY REPORTED)	19,403	18,599	18,599
Effect of adopting IFRS	393	671	671
OPENING EQUITY (AS RESTATED)	19,796	19,270	19,270
Shares issued in the period	-	-	50
Purchase of own shares	-	-	(760)
Fair value gains on available-for-sale investments	1,042	390	307
Deferred tax on fair value gains on available-for-sale investments	(300)	20	65
Currency translation differences of foreign currency net investments	15	(20)	(27)
Profit/(loss) for the period	55	(97)	1,213
Dividends	-	-	(322)
CLOSING EQUITY	20,608	19,563	19,796

Notes to the Accounts (Unaudited)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim financial information was approved by the Board of Directors on 12 December 2005.

The restated results for the year ended 31 March 2005 are not statutory accounts within the meaning of s240, Companies Act 1985. Statutory accounts for that period (prepared in accordance with UK GAAP) were prepared and filed with the Registrar of Companies and received an unqualified audit report. The results for the six months to 30 September 2005 and 2004 are unaudited and do not constitute the Group's statutory accounts within the meaning of s240 of the Companies Act 1985.

The income statement and balance sheet have been prepared in accordance with applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). These standards are also collectively referred to as "IFRS."

2 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

All listed companies in the EU are required to present their consolidated financial statements for accounting periods beginning on or after 1 January 2005 in accordance with IFRS as adopted by the EU. Therefore, the group's consolidated financial statements for the year ending 31 March 2006 will be presented on this basis with IFRS comparatives. These interim financial statements have been prepared on the basis of the IFRS accounting policies expected to be adopted in the year end consolidated financial statements. Reconciliations have been provided to UK GAAP and these, together with an explanation of the resulting changes in accounting policies, are set out in notes 7 and 8.

Although there is a now a fairly stable platform, standards continue to evolve and those currently in issue and endorsed by the EU are subject to interpretation by the International Financial Reporting Interpretations Committee (IFRIC) and further standards may be issued and endorsed by the EU before 31 March 2006. These uncertainties could result in the need to change the basis of accounting or presentation of financial information from that applied in the preparation of this document.

The group is required to apply its IFRS accounting policies retrospectively to determine the opening IFRS balance sheet at the transition date of 1 April 2004 and the comparative information for the year ended 31 March 2005. Business combinations prior to 1 April 2004 have not been restated to comply with IFRS 3, "Business Combinations." The group has applied IFRS 2, "Share-based payment," retrospectively only to awards made after 7 November 2002 that had not vested at 1 April 2005. There are no awards that meet this criteria. Exchange differences arising on translation of overseas operations prior to 1 April 2004 have not been recognised in a separate translation reserve. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

3 ACCOUNTING POLICY CHANGES

An explanation of the changes in accounting policies as a result of adopting IFRS, together with a full list of the revised accounting policies are shown in notes 7 and 8.

4 EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings per share of 0.30p (30 September 2004: loss of 0.49p; 31 March 2005 earnings of 6.32p) are based on the profit for the period of £55,000 (30 September 2004: loss of £97,000; 31 March 2005: profit of £1,213,000) and on 18,500,530 ordinary shares (30 September 2004: 19,689,102 ordinary shares; 31 March 2005: 19,207,059 ordinary shares) being the weighted average number of shares in issue through the period. The calculation of diluted earnings/(loss) per share was the same earnings/(loss) figure and weighted average number as the basic calculation, as the exercise value of all share options was higher than the average share price during the period to date of exercise on 8 March 2005.

5 DIVIDEND PER SHARE

No interim dividend has been declared (six months ended 30 September 2004 – no interim dividend declared). During the year ended 31 March 2005, the company demerged seven subsidiaries by the payment of a dividend in specie representing 90% of the ordinary share capital of each company.

6 RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATIONS

	Neither audited nor reviewed Six months ended 30 September 2005 £'000	Neither audited nor reviewed Six months ended 30 September 2004 (restated) £'000	Audited Year ended 31 March 2005 (restated) £'000
OPERATING PROFIT	179	243	1,237
Adjustments for:			
Depreciation of property, plant and equipment	194	157	269
Profit on sale of property, plant and equipment	(7)	(7)	(16)
Profit on sale of investment properties	-	(299)	(476)
Gains on revaluation of investment properties	-	-	(99)
Profit on sale of subsidiaries	(818)	-	(1)
Changes in working capital:			
(Increase)/decrease in trading properties	(12,975)	(2,402)	1,457
Decrease/(increase) in trade and other receivables	2,490	1,041	(1,218)
(Decrease)/increase in trade and other payables	(556)	888	468
NET CASH (OUTFLOW)/INFLOW FROM OPERATIONS	(11,493)	(379)	1,621

Notes to the Accounts (Unaudited)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES UNDER IFRS

Basis of accounting

The financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties and certain financial instruments.

Prior to the introduction of IFRS, the group had prepared its financial statements under United Kingdom accounting standards. As a result of adopting IFRS it has been necessary to change many of the group's accounting policies and these are detailed below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Safeland plc, all of its subsidiaries and the group's share of profits and losses and net assets of joint ventures and associates made up to 30 September 2005.

Goodwill

On acquisition, the assets and liabilities of a subsidiary, joint venture or associate that are accounted for as business combinations are measured at their fair value at the date of acquisition. Any excess/(deficiency) of the cost of acquisition over/(below) the fair value of the identifiable net assets acquired is recognised as goodwill/(negative goodwill). Goodwill is recognised as an asset and assessed for impairment at least annually. Negative goodwill is immediately recognised in the income statement.

Property, plant and equipment

Properties under this heading comprise those properties occupied by group companies.

Property, plant and equipment are stated at cost less accumulated depreciation and are depreciated over their estimated useful lives on the following annual bases:

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

Investment properties

Investment properties are those properties that are held either to earn rental income or for capital appreciation or both. Investment properties may be freehold properties or leasehold properties. For leasehold properties that are classified as investment properties, the associated leasehold obligations are accounted for as finance lease obligations.

Valuation surpluses and deficits arising in the period are included in the income statement.

The gain or loss arising on the disposal of a property is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the period and is recognised in the income statement.

Joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control.

Where a group company undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the group and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The group reports its interests in jointly controlled entities using the equity method of accounting. Investments in joint ventures are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the joint ventures, less any impairment in the value of individual investments of the joint ventures.

Associates

An associate is an entity over which the group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost, adjusted by post-acquisition changes in the group's share of the net assets of the associates, less any impairment in the value of individual investments of the associates.

Available-for-sale investments
Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale.

The investments are held at fair value with gains and losses taken to equity. The gains and losses taken to equity are recycled through the income statement on realisation. If there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. The amount removed from equity and recognised in the income statement, is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in income.

Impairment losses recognised in the income statement are not reversed through income.

Trading properties
Properties held for development and resale are classified as trading properties and are shown at the lower of cost and net realisable value. Cost comprises purchase price, acquisition costs and direct expenditure, but excludes interest, which is written off in the income statement as incurred. Purchases of properties are recognised on completion of contracts.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and which form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Borrowings
Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are capitalised at the lease commencement at the lower of the fair value of the asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Investment properties acquired under finance leases are carried at their fair value.

Derivative financial instruments
The group uses derivative financial instruments to help manage its interest rate risk. The group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value with the gain or loss recognised immediately in the income statement, unless the derivative financial instruments qualify for hedge accounting, in which case recognition depends on the nature of the item being hedged. Currently the group's derivative financial instruments only comprise an interest rate swap that does not qualify for hedge accounting.

Revenue
Revenue 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. Sales of trading properties are recognised on completion of a contract. Revenue is measured at the fair value of the consideration received or receivable and is stated net of discounts, VAT and other sales related taxes.

Notes to the Accounts (Unaudited)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES UNDER IFRS (CONTINUED)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in currencies other than sterling are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on retranslation are included in the income statement, except where foreign currency denominated loans are designated as a hedge of the group's investment in its overseas subsidiaries. In this case the exchange difference is taken to equity until the realisation of the overseas investment and then it is transferred to the income statement as part of the profit or loss on realisation.

On consolidation, the assets and liabilities of the group's overseas operations are translated into sterling at exchange rates prevailing on the balance sheet date. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of. Income and expense items are translated at the average exchange rates for the period.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are declared.

8 EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

This is the group's first interim report prepared in accordance with IFRS. The reconciliations of balance sheets and equity at 1 April 2004 (date of transition to IFRS), 31 March 2005 (date of last UK GAAP financial statements) and 30 September 2004 (date of last UK GAAP interim report) are set out below. In addition, there is a reconciliation of profit for the six month period to 30 September 2004 and the year ended 31 March 2005 below.

These reconciliations will enable comparison of the 2005 interim figures under IFRS with those published under UK GAAP in the 2004 interim report and the annual report for the year ended 31 March 2005.

(a) Consolidated balance sheet as at 1 April 2004

	Notes	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
NON-CURRENT ASSETS				
Property, plant and equipment		5,748	-	5,748
Investment properties		3,981	-	3,981
Investment in joint ventures and associated undertaking	viii	4,683	(3,875)	808
Available-for-sale investments	i	3,926	1,195	5,121
Total non-current assets		18,338	(2,680)	15,658
CURRENT ASSETS				
Trading properties		13,409	-	13,409
Trade and other receivables	viii	2,649	2,001	4,650
Cash and cash equivalents	viii	2,212	150	2,362
TOTAL CURRENT ASSETS		18,270	2,151	20,421
TOTAL ASSETS		36,608	(529)	36,079
CURRENT LIABILITIES				
Borrowings		1,224	-	1,224
Trade and other payables	viii	2,860	(1,871)	989
Current tax liabilities		301	-	301
TOTAL CURRENT LIABILITIES		4,385	(1,871)	2,514
NON-CURRENT LIABILITIES				
Borrowings		12,822	-	12,822
Trade and other payables		802	-	802
Deferred tax liability	ii	-	556	556
Derivative financial instruments	iii	-	115	115
TOTAL NON-CURRENT LIABILITIES		13,624	671	14,295
TOTAL LIABILITIES		18,009	(1,200)	16,809
NET ASSETS		18,599	671	19,270
EQUITY				
Share capital		985	-	985
Capital reserves		6,006	-	6,006
Other reserves	iv	1,497	(1,497)	-
Retained earnings		10,111	2,168	12,279
TOTAL EQUITY		18,599	671	19,270

Notes to the Accounts (Unaudited)

8 EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Consolidated balance sheet as at 31 March 2005

	Notes	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
NON-CURRENT ASSETS				
Property, plant and equipment		5,940	-	5,940
Investment properties		4,305	-	4,305
Investment in joint ventures and associated undertaking	viii, ix	3,985	(3,949)	36
Available-for-sale investments	i	3,238	866	4,104
TOTAL NON-CURRENT ASSETS		17,468	(3,083)	14,385
CURRENT ASSETS				
Trading properties		11,543	-	11,543
Trade and other receivables	viii	3,493	1,955	5,448
Cash and cash equivalents	viii	2,226	214	2,440
TOTAL CURRENT ASSETS		17,262	2,169	19,431
TOTAL ASSETS		34,730	(914)	33,816
CURRENT LIABILITIES				
Borrowings		813	-	813
Trade and other payables	viii	4,102	(1,816)	2,286
Current tax liabilities		650	-	650
TOTAL CURRENT LIABILITIES		5,565	(1,816)	3,749
NON-CURRENT LIABILITIES				
Borrowings		9,762	-	9,762
Deferred tax liability	ii	-	458	458
Derivative financial instruments	iii	-	51	51
TOTAL NON-CURRENT LIABILITIES		9,762	509	10,271
TOTAL LIABILITIES		15,327	(1,307)	14,020
NET ASSETS		19,403	393	19,796
EQUITY				
Share capital		925	-	925
Capital reserves		6,116	-	6,116
Other reserves	iv	1,415	(1,442)	(27)
Retained earnings		10,947	1,835	12,782
TOTAL EQUITY		19,403	393	19,796

(c) Consolidated balance sheet as at 30 September 2004

	Notes	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
NON-CURRENT ASSETS				
Property, plant and equipment		5,927	-	5,927
Investment properties		3,048	-	3,048
Investment in joint ventures and associated undertaking	viii	4,669	(3,865)	804
Available-for-sale investments	i	3,926	1,585	5,511
TOTAL NON-CURRENT ASSETS		17,570	(2,280)	15,290
CURRENT ASSETS				
Trading properties		15,811	-	15,811
Trade and other receivables	viii	1,349	1,943	3,292
Cash and cash equivalents	viii	2,062	150	2,212
TOTAL CURRENT ASSETS		19,222	2,093	21,315
TOTAL ASSETS		36,792	(187)	36,605
CURRENT LIABILITIES				
Borrowings		875	-	875
Trade and other payables	viii	3,778	(1,904)	1,874
Current tax liabilities		387	-	387
TOTAL CURRENT LIABILITIES		5,040	(1,904)	3,136
NON-CURRENT LIABILITIES				
Borrowings		12,475	-	12,475
Trade and other payables		802	-	802
Deferred tax liability	ii	-	514	514
Derivative financial instruments	iii	-	115	115
TOTAL NON-CURRENT LIABILITIES		13,277	629	13,906
TOTAL LIABILITIES		18,317	(1,275)	17,042
NET ASSETS		18,475	1,088	19,563
EQUITY				
Share capital		985	-	985
Capital reserves		6,006	-	6,006
Other reserves	iv	1,410	(1,430)	(20)
Retained earnings		10,074	2,518	12,592
TOTAL EQUITY		18,475	1,088	19,563

Notes to the Accounts (Unaudited)

8 EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(d) Reconciliation of changes in equity

	Notes	31 March 2005 £'000	30 September 2004 £'000	1 April 2004 £'000
Fair value gains on available-for-sale investments	i	902	1,585	1,195
Deferred tax on fair value gains on available-for-sale investments	ii	(76)	(121)	(141)
Deferred tax on revaluation gains on investment properties	ii	(382)	(393)	(415)
Fair value of derivative financial instruments	iii	(51)	(115)	(115)
Eliminate negative goodwill	v	-	132	147
TOTAL ADJUSTMENT TO EQUITY		393	1,088	671
TOTAL EQUITY UNDER UK GAAP		19,403	18,475	18,599
TOTAL EQUITY UNDER IFRS		19,796	19,563	19,270

(e) Consolidated income statement for the six months ended 30 September 2004

	Notes	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
REVENUE	viii	15,767	98	15,865
Direct costs	viii	(14,057)	(53)	(14,110)
GROSS PROFIT		1,710	45	1,755
Sales and distribution costs		(455)	-	(455)
Administrative expenses	v, viii	(1,416)	(31)	(1,447)
Other operating income		91	-	91
Profit on disposal of investment properties		299	-	299
OPERATING PROFIT		229	14	243
Share of results of associate and joint ventures - post tax	vi	12	(16)	(4)
PROFIT BEFORE INTEREST AND TAX		241	(2)	239
Finance income	vi	168	(13)	155
Finance costs		(427)	-	(427)
LOSS BEFORE TAX		(18)	(15)	(33)
Tax		(86)	22	(64)
LOSS FOR THE PERIOD		(104)	7	(97)
BASIC LOSS PER SHARE (PENCE)		(0.53p)	0.04p	(0.49p)
DILUTED LOSS PER SHARE (PENCE)		(0.53p)	0.04p	(0.49p)

(f) Consolidated income statement for the year ended 31 March 2005

	Notes	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
REVENUE	viii	28,309	147	28,456
Direct costs	viii	(23,922)	(53)	(23,975)
GROSS PROFIT		4,387	94	4,481
Sales and distribution costs		(625)	-	(625)
Administrative expenses	viii	(3,477)	(51)	(3,528)
Other operating income		333	-	333
Gains on revaluation of investment properties	vii	-	99	99
Profit on disposal of investment properties		476	-	476
Profit on disposal of subsidiaries		1	-	1
OPERATING PROFIT		1,095	142	1,237
Share of results of associate and joint ventures - post tax	vi	(28)	(46)	(74)
Profit on disposal of available-for-sale investments		1,201	-	1,201
Write back amounts previously written off available-for-sale investments	i	716	(716)	-
PROFIT BEFORE INTEREST AND TAX		2,984	(620)	2,364
Finance income	vi, viii	262	(28)	234
Finance costs	iii, viii	(820)	64	(756)
PROFIT BEFORE TAX		2,426	(584)	1,842
Tax		(624)	(5)	(629)
PROFIT FOR THE PERIOD		1,802	(589)	1,213
BASIC EARNINGS PER SHARE (PENCE)		9.38p	(3.06p)	6.32p
DILUTED EARNINGS PER SHARE (PENCE)		9.38p	(3.06p)	6.32p

Notes to the Accounts (Unaudited)

8 EXPLANATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(g) Notes to reconciliations explaining the transition to IFRS

i. IAS 39 – Available-for-sale investments are carried at fair value in the balance sheet. Movements in fair value are taken directly to equity and recycled through the income statement when the investments are disposed of.

ii. IAS 12 – Deferred tax liabilities are recognised on fair value gains on available-for-sale investments and revaluation gains on investment properties. Deferred tax on fair value gains on available-for-sale investments is charged to equity and deferred tax on revaluation gains on investment properties is charged to the income statement.

iii. IAS 39 – Derivative financial instruments that do not meet the strict criteria for classification as a hedge are stated at fair value in the balance sheet with gains and losses recognised as a finance cost in the income statement.

iv. IAS 40 and IAS 21 – The accumulated revaluation reserve on investment properties to 1 April 2004 has been transferred to retained profits. Gains and losses on the translation of foreign operations are taken directly to equity and classified in a separate reserve.

v. IFRS 3 – Negative goodwill arising on acquisitions is recognised in the income statement on date of acquisition. Under UK GAAP, negative goodwill was capitalised and amortised to the profit and loss account.

vi. IAS 28 – Associates are equity accounted for and the share of results are stated in the income statement post tax.

vii. IAS 40 – Revaluation gains and losses on investment properties are recognised in the income statement.

viii. IAS 31 – A joint venture that was gross equity accounted for under UK GAAP has been proportionally consolidated as jointly controlled assets under IFRS

ix. IAS 28 – Seven investments have been equity accounted for as associates under IFRS. Previously, these were accounted for as fixed asset investments under UK GAAP.

9 COPIES OF THIS STATEMENT ARE BEING SENT TO ALL SHAREHOLDERS AND ARE AVAILABLE TO THE PUBLIC FOR COLLECTION AT THE COMPANY'S REGISTERED OFFICE AT 94-96 GREAT NORTH ROAD, LONDON N2 0NL.

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