Safeland plc

Annual Report & Accounts 2012

CONTENTS

CHAIRMAN'S STATEMENT

"I am pleased to report that in the year ended 31 March 2012 the group made a profit before taxation of £705,000 (2011: £965,000 loss).

The principal rise in value relates to the Chandos Tennis Club in Golders Green which is a property the Company has owned for some time. An independent valuation has increased its value by just over £1m due to a detailed review of development opportunities.

Planning permission has been applied for however Shareholders should be aware that in the event that no permission is forthcoming, then it is likely that the valuation will fall substantially. Announcements will be made regarding progress.

The remainder of the portfolio has been appraised in part by external valuers, and the remainder by the Board. The overall effect is that the trading portfolio has been reduced by £49,000 (2011: £576,000) and the investment portfolio increased by £1,355,000 (2011: decreased by £24,000).

I have previously advised Shareholders that our involvement in the Managed Workspace Fund ceased as of 7 July 2011 when the portfolio was sold to a third party. As a result no further losses will accrue from this activity.

In April 2011, Safeland entered into a Joint Venture agreement with the Moorfield Group to open and operate a chain of hostels called Safestay. The first such centre in Southwark opened on 28 June 2012. Early indications of bookings are very encouraging. A number of other potential sites are being investigated.

The market conditions remain as challenging as they have been for the last number of years and your Board continues to be very selective in the purchases they make with a focus on carrying out small developments in North London. I am pleased to advise that this strategy is proving to be successful with a number of completed units sold profitably since the year end.

This together with the Safestay Joint Venture and the support of our bankers gives me some confidence for the future.

Raymond Lipman
Chairman

16 August 2012

NEW VENTURE: SAFESTAY

safestay

SETTING A NEW BENCHMARK IN SAFE, STYLISH AND AFFORDABLE ACCOMMODATION IN LONDON

Safestay at Elephant & Castle opened this July, the first in a line of new contemporary hostels.

The 407-bed hostel is based at John Smith House, the former Labour Party Headquarters, on the Walworth Road, close to Elephant & Castle underground station and many of Central London's tourist attractions. SE17 is currently the subject of a £1.5bn regeneration programme which will see huge investment in the public and community spaces.

Safestay is a joint venture between Moorfield Group and Safeland plc, and the brand was created by Larry Lipman, Safeland's Managing Director.

Speaking on behalf of the joint venture, Larry Lipman said, 'The UK hostel market is currently very fragmented. The standard and consistency of accommodation is still extremely poor – it really is a lottery. We identified an opportunity to build a strong quality brand to appeal to a broad community of guests: from independent travellers and backpackers to school groups, to value-conscious business people and families.'

The Grade Two listed Safestay building dates back to the early 18th century and many of the original architectural and design features have been preserved, from the moulded ceilings to the fireplaces in the reception rooms and library.

"We want Safestay to be a game-changer, one that overturns existing perceptions of the hostel market and offers a safe, secure and stylish place to stay, whilst still providing extremely good value accommodation.

PROFESSIONAL ADVISERS

Company Secretary
Paul Malcolm Davis FCA

Registered Office
1a Kingsley Way
London N2 0FW

Company Number
2012015

Merchant Bankers
Investec Henderson Crosthwaite
2 Gresham Street
London EC2V 7QP

Nominated Adviser and Broker
Westhouse Securities Limited
One Angel Court
London EC2R 7HJ

Corporate solicitors
Dechert LLP
160 Queen Victoria Street
London EC4V 4QQ

Auditor
Baker Tilly UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Bankers
Lloyds TSB plc
25 Gresham Street
London EC2V 7HN

Irish Bank Resolution Corporation Limited
10 Old Jewry
London EC2R 8DN

Registrars
Capita Registrars Ltd
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

BOARD OF DIRECTORS

1


Safeland plc was founded in 1986 by Raymond Lipman and his three sons, Larry, Errol and Steven.

2


4


3


5


Raymond Lipman (1)
Chairman
Mr R Lipman (aged 78) 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.

Larry Glenn Lipman (2)
Managing Director
Mr L G Lipman (aged 55) 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.

Errol Alan Lipman (3)
Executive Director
Mr E A Lipman (aged 53) is an Executive Director whose primary responsibility is dealing with the group's residential portfolio and the numerous residential agents.

Paul Malcolm Davis FCA (4)
Finance Director
Mr P M Davis (aged 59) 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.

Edward George Young (5)
Non-Executive Director
Mr E G Young (aged 69) qualified as a solicitor in 1968 after graduating from University College London and has extensive experience in commercial property law and practice.

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company and the group together with the financial statements for the year ended 31 March 2012.

Principal activities
The principal activities of the group comprise property trading, property refurbishment (including redevelopment), property investment and property management.

Review of business and future prospects
Details of the group's progress during the year, its position at the year end and its future prospects is set out in the Chairman's Statement on page 1.

The group's key performance indicators are net assets per share and total shareholder return.

Net assets per share is calculated by dividing net assets per the consolidated balance sheet by the number of shares in issue at that date.

Total shareholder return measures the return to shareholders from share price movements supplemented by other returns such as the 2005 dividend in specie.

Principal risks and uncertainties are discussed on page 7.

Results and dividends
The results for the year are set out in detail on page 15. No interim dividend was paid by the company (2011: £Nil) and the directors are not proposing a final dividend (2011: £Nil).

Directors
The directors who have served since 1 April 2011 were as follows:

Raymond Lipman
Larry Lipman
Errol Lipman
Paul Davis
Edward Young

Mr E Lipman and Mr L Lipman retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

Directors' interests in shares
The directors who were in office at 31 March 2012 had the following beneficial interests in the ordinary shares of the company during the year and at the year end:

	At 31 March 2012 Number of 5p ordinary shares	At 31 March 2011 Number of 5p ordinary shares
Raymond Lipman	-	-
Larry Lipman	261,128	261,128
Errol Lipman	692,442	692,442
Paul Davis	97,385	97,385
Edward Young	-	-

Mr L G Lipman and Mr E A Lipman each own one third of the share capital of Safeland Holdings (2008) Corporation ("SHC") a corporation incorporated in Panama. SHC owned 10,854,386 (2011: 10,854,386) ordinary shares in the company, representing 64.41% (2011: 64.41%) of the company's shares in issue as at 31 March 2012.

The directors' interests in options over the equity share capital of the company at 31 March 2012 were as follows:

	At 31st March 2011	Granted	Lapsed	At 31st March 2012	Exercise Price	Exercisable From	Exercisable To
Raymond Lipman	-	5,387,675	-	5,387,675	9.25p	28/09/2014	27/09/2021
Larry Lipman	-	8,094,054	-	8,094,054	9.25p	28/09/2014	27/09/2021
Errol Lipman	-	6,383,621	-	6,383,621	9.25p	28/09/2014	27/09/2021
Paul Davis	-	978,920	-	978,920	9.25p	28/09/2014	27/09/2021

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

Other substantial shareholdings

Apart from the shareholdings of the directors, as at 16 August 2012, 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 (2008) Corporation (see above)	10,854,386	64.41

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 as at 31 March 2012 were 16 (2011: 15) for both the group and the company.

Financial instruments

The group's policy on financial instruments is stated on pages 40 to 44.

Third party indemnity provision for directors

The company currently has in place, and has done for the whole of the year ended 31 March 2012, directors' and officers' liability insurance for the benefit of all directors of the company.

Principal risks and uncertainties

The principal risks and uncertainties that could potentially have an impact on the group's performance are detailed below.

Business risk

Safeland operates in the property market which over the years has always been liable to price fluctuations dependent upon the state of the UK economy. In the event that there was a further drop in the value of property throughout the country this would obviously affect the properties held by Safeland at that time, but would also present an opportunity for buying at distinctly lower levels than exist at present.

It is conceivable that governments may wish to harmonise the rate of stamp duty throughout Europe which would most likely cause an increase in the UK rates that exist at present which would erode the margins that Safeland is able to attain on its trades.

Safeland has increasingly over the years added value by obtaining change of use and adverse changes to the planning requirements could affect this methodology.

Financial risk

In order to purchase the properties that Safeland deals in, it borrows money from various banks. Increases in interest rates will adversely affect the profit that Safeland is able to make.

The determining factor as to how much Safeland is able to buy at any one time is limited by cash and there may be times when opportunities are not able to be taken advantage of as all available monies have been allocated elsewhere. Strict financial controls are in operation to ensure that monies cannot be expended above the available limits.

Financial risk management policies are described on page 25.

Political and charitable donations

The group and company did not make any political or charitable donations during the year or the preceding year.

Conflicts of interest

Under the articles of association of the company and in accordance with the provisions of the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. However, the directors may authorise conflicts and potential conflicts, as they deem appropriate. As a safeguard, only directors who have no interest in the matter being considered will be able to take the relevant decision, and the directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. During the financial year ended 31 March 2012, the directors have authorised no such conflicts or potential conflicts in accordance with the above procedures.

Statement of disclosure of information to the auditor

- So far as each of the directors currently in office is aware, there is no relevant audit information of which the company's auditor is unaware; and
- Each of the directors has taken all the steps that ought to have been taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

DIRECTORS' REPORT

Auditor
A resolution to re-appoint Baker Tilly UK Audit LLP will be proposed at the forthcoming Annual General Meeting.

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

Resolution 5
Directors' authority to allot shares in the company
This resolution, if passed, will give the directors authority under section 551 of the Companies Act 2006 as amended (the "2006 Act") to allot up to 5,617,060 ordinary shares of 5 pence each, representing approximately one third of the issued share capital of the company. The directors have no present intention of exercising this authority. This authority will, unless renewed, expire at the earlier of the conclusion of the next annual general meeting of the company held in 2013 and 30 September 2013. The company does not currently have any treasury shares in issue.

Resolution 6
Disapplication of statutory pre-emption rights
This resolution, if passed, will disapply the statutory pre-emption rights contained in section 561 of the 2006 Act, allowing the company to allot equity securities for cash up to an aggregate nominal amount of £42,128 (being equal to 5 per cent of the issued ordinary share capital of the company) or in connection with a rights issue, open offer or otherwise in favour of ordinary shareholders where the equity securities attributable to the interest of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them. This authority will, unless renewed, expire at the earlier of the conclusion of the next annual general meeting of the company held in 2013 and 30 September 2013.

The company is permitted by the 2006 Act to hold shares purchased by the company as treasury shares, which may then be cancelled, sold for cash or used to meet the company's obligations under its share option schemes. The requirements to allot equity securities for cash to existing shareholders in proportion to their holdings will also apply to the sale by the company of any shares it holds as treasury shares. These requirements may be similarly disapplied by shareholders. The authority sought, and limits set, by resolution 6 will apply to a sale of treasury shares by the company. However, the directors have no present intention of holding shares in treasury.

Resolution 7
Purchase of own shares
This resolution, if passed, will give the directors authority under section 701 of the 2006 Act to make market purchases of ordinary shares, subject to certain stipulations, up to a maximum number of 2,527,676 ordinary shares, representing approximately 15 per cent of the company's issued share capital. This authority will, unless renewed, expire at the earlier of the conclusion of the next annual general meeting of the company to be held in 2013 and 30 September 2013. Renewal of the authority to make market purchases of ordinary shares has been sought at recent annual general meetings of the company and it continues to be envisaged that such renewal will be sought at subsequent annual general meetings.

The minimum price (exclusive of expenses) payable on any exercise of such authority will be 5p per ordinary share, being the nominal value of ordinary shares, and the maximum price (exclusive of expenses) will not be more than the higher of (a) 5 per cent. above the average of the market value for an ordinary share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share on the Daily Official List of the London Stock Exchange plc at the time the purchase is carried out.

This authority is intended to apply equally to any shares held by the company as treasury shares in accordance with the 2006 Act. However, as mentioned above, the directors have no present intention of holding shares in treasury pursuant to the 2006 Act.

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 purpose of the purchase.

Under Rule 9 of the City Code on takeovers and mergers, any person or group of persons acting in concert who acquires an interest in 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 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 director and persons acting in concert with them will be treated as acquisitions of the purpose of Rule 9 of the Code. Mr L G Lipman, Mr E A Lipman and Mr S R Lipman and their respective families and Safeland Holdings (2008) Corporation (together "the Lipman Concert Party") are treated as acting in concert for the purposes of the Code.

Each of Mr L G Lipman, Mr E A Lipman and Mr S R Lipman own one third of the share capital of Safeland Holdings (2008) Corporation. 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. Where a concert party holds more than 50% of the voting rights of a company and for so long as its members continue to be treated as acting in concert, the concert party may accordingly increase its aggregate shareholding without being subject to the provisions of Rule 9 of the code. However the Panel should be consulted before any individual member of such concert party increases his holding through a Rule 9 threshold.

Member of Lipman Concert Party	Beneficial interest in ordinary shares of 5p as at 31 March 2012 Number	Percentage of issued share capital as at 31 March 2012 %	Percentage of issued share capital if authority to purchase own shares is exercised in full (resolution 7) %
L G Lipman	261,128	1.55	1.82
E A Lipman	692,442	4.11	4.83
S R Lipman	173,111	1.03	1.21
Safeland Holdings (2008) Corporation	10,854,386	64.41	75.78
	11,981,067	71.10	83.64

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 the Annual General Meeting is at pages 53 to 56.

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

P M Davis
Company Secretary

16 August 2012

DIRECTORS' REMUNERATION REPORT

Introduction
This report describes how the board has applied the Principles of Good Governance relating to directors' remuneration during the year ended 31 March 2012.

Remuneration committee
The duties of the Remuneration Committee are performed by the board as a whole. The Committee determines, on behalf of 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 both executive and non executive directors and the determination of their annual remuneration package is undertaken by the Committee.

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.

In September 2009 the Board informed each executive director that they had to forgo a proportion of their salary to take into consideration the market conditions and in the event that the group returned to a sustained profitable position, the forgone salary would be paid and the former salary reinstated. Unfortunately conditions did not improve and therefore in March 2011 the Board informed the executive directors that the amounts in question would not be made good under any circumstances and therefore an accrual for these monies in the sum of £1,877,000, comprising directors' emoluments of £1,664,000 and social security costs of £213,000, was credited to profit or loss in March 2011. There will be no further salary reviews until market conditions will allow.

The directors received shares options on 28 September 2011, details of these are on page 6.

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 have rolling service contracts with a notice period of three years.

Mr R Lipman, Mr L G Lipman Mr E A Lipman and Mr P M Davis all hold rolling service contracts that expire in August 2013 but continue thereafter unless 12 months written notice is given. Mr E G Young holds a rolling service contract dated 20 May 2008 with a notice period of three months.

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

Share price
The company has a single class of ordinary shares listed on the AIM market of the London Stock Exchange. High and low prices for the year were 13.0p and 8.25p respectively (2011: 18p and 9.5p) and the market price of the shares at 31 March 2012 was 12.25p (2011: 11.5p).

Directors' emoluments

The emoluments of the directors of the company for the year ended 31 March 2012 were as follows:

Name	Salary and fees £'000	Benefits in kind £'000	2012 Total £'000	Salary and fees £'000	Benefits in kind £'000	Forgone £'000	2011 Total £'000
Chairman							
R Lipman	50	65	115	302	63	(426)	(61)
Other executive directors							
L G Lipman	50	95	145	443	76	(648)	(129)
E A Lipman	50	60	110	355	66	(509)	(88)
P M Davis	203	26	229	254	34	(81)	207
Non-executive directors							
E G Young	15	-	15	15	-	-	15
	368	246	614	1,369	239	(1,664)	(56)

Directors' salaries and fees paid during the year ended 31 March 2012 totalled £368,000 (2011: £379,000).

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

P M Davis
Company Secretary

16 August 2012

CORPORATE GOVERNANCE

Introduction
The Board of Safeland plc appreciate the value of good corporate governance and comply with the requirements of the "UK Corporate Governance Code" as far as applicable to the group given its current size and nature.

Directors
During the year ended 31 March 2012 the group was controlled by its Board of Directors which consisted of four executive and one non-executive directors. Mr R Lipman is chairman of the Board and Mr L G Lipman is managing director.

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.

Due to the small size of the Board, it is considered inappropriate to establish a Nomination Committee, Audit Committee or Remuneration Committee. Consequently, these duties are performed by the Board as a whole.

Independent non-executive director
Mr E G Young acts as the group's independent non-executive director. Mr Young is available to meet shareholders on request and to ensure that the Board is aware of shareholder concerns not resolved through existing mechanisms for investor communication.

The non-executive director constructively challenges and helps develop proposals on strategy. He also ensures that robust internal controls exist and monitor management performance against agreed goals and objectives.

Directors' remuneration
The executive directors' remuneration consists of a package of basic salary, benefits in kind and bonuses, which are linked to corporate and individual performance achievements and the levels of each are determined by the Board. The statement of remuneration policy and details of each director's remuneration are set out in the Directors' Remuneration Report.

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 system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The group does not currently have, nor considers there is a need for, an internal audit function. It is believed that the directors are sufficiently able to carry out all of the tasks that would be required of this role.

Going concern
The directors report that based on the group's budgets and financial projections to 31 August 2013, 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 the going concern basis.

Auditor
The Board is responsible for the relationship with the group's auditor, the in-depth review of the group's financial reports, internal controls and any other reports that the group may circularise. This includes a review of the cost effectiveness of the audit and non-audit services provided to the group.

The Board monitors the non-audit services being provided to the group by its external auditors on a regular basis to check that these services do not impair their independence or objectivity. Prior approval of the Board is required for activities which may be perceived to be in conflict with the role of the external auditor.

Details of the amounts paid to the external auditor during the year for audit and other services are set out in the notes to the financial statements.

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Safeland plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

P M Davis
Company Secretary

16 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFELAND PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 15 to 52. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard Coates (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP,
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

16 August 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Revenue	2	14,335	10,370
Cost of Sales	3	(12,916)	(9,866)
Gross profit		1,419	504
Sales and distribution costs		(304)	(255)
Administrative expenses	4	(2,168)	(2,929)
Directors' emoluments forgone	4	-	1,877
Other operating income	5	794	476
Profit on disposal of property, plant and equipment		20	-
Gain / (loss) on revaluation of investment properties	13	1,355	(24)
Gain on disposal of investment properties		-	5
Operating profit / (loss)		1,116	(346)
Share of loss of joint venture	14	(8)	-
Share of results of associate	15	36	27
Impairment of available-for-sale investments	16	(60)	(100)
Loss on disposal of available-for-sale investments	16	-	(50)
Finance income	6	10	27
Finance costs	7	(389)	(523)
Profit / (loss) before tax		705	(965)
Tax	9	(212)	-
Profit / (loss) for the financial year attributable to owners of the parent company	8	493	(965)
Basic earnings / (loss) per share	10	2.93p	(5.73)p
Diluted earnings / (loss) per share	10	2.77p	(5.73)p

The revenue and operating result for the year is derived from continuing operations in the United Kingdom.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Profit / (loss) for the year		493	(965)
Other comprehensive income			
Fair value (losses) /gains on available-for-sale investments	16	(10)	12
Tax on items taken directly to equity	22	3	(3)
Other comprehensive (losses) / income for the year		(7)	9
Total comprehensive income / (loss) for the year attributable to owners of the parent company		486	(956)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

	Note	2012 £'000	2011 £'000
Non-current assets			
Property, plant and equipment	12	252	214
Investment properties	13	4,793	3,438
Investments in joint ventures	14	-	-
Investments in associates	15	153	117
Available-for-sale investments	16	52	122
Total non-current assets		5,250	3,891
Current assets			
Trading properties	17	10,249	19,256
Trade and other receivables	18	1,616	763
Cash and cash equivalents	19	457	386
Total current assets		12,322	20,405
Total assets		17,572	24,296
Current liabilities			
Bank loans and overdrafts	20	7,190	427
Trade and other payables	21	432	427
Derivative financial instruments	29	21	-
Total current liabilities		7,643	854
Non-current liabilities			
Bank loans	20	-	14,172
Derivative financial instruments	29	-	109
Deferred income tax liabilities	22	888	679
Total non-current liabilities		888	14,960
Total liabilities		8,531	15,814
Net assets		9,041	8,482
Equity			
Share capital	23	843	843
Share premium account		5,351	5,351
Capital redemption reserve		847	847
Share based payment reserve		73	100
Investment revaluation reserve		7	14
Retained earnings		1,920	1,327
Total equity attributable to owners of the parent company		9,041	8,482

The financial statements were approved by the Board of Directors and authorised for issue on 16 August 2012

They were signed on its behalf by:

R Lipman
Chairman

P M Davis
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2012

	Attributable to owners of the parent						
	Share Capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Investment revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2010	843	5,351	847	210	5	2,182	9,438
Comprehensive income							
Loss for the year	-	-	-	-	-	(965)	(965)
Other comprehensive income							
Fair value gains on available-for-sale investments	-	-	-	-	12	-	12
Tax on items taken directly to equity	-	-	-	-	(3)	-	(3)
Total other comprehensive income	-	-	-	-	9	-	9
Total comprehensive income	-	-	-	-	9	(965)	(956)
Transactions with owners							
Transfer to retained earnings	-	-	-	(110)	-	110	-
Balance at 31 March 2011	843	5,351	847	100	14	1,327	8,482

	Attributable to owners of the parent						
	Share Capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Investment revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2011	843	5,351	847	100	14	1,327	8,482
Comprehensive income							
Profit for the year	-	-	-	-	-	493	493
Other comprehensive income							
Fair value losses on available-for-sale investments	-	-	-	-	(10)	-	(10)
Tax on items taken directly to equity	-		-	-	3	-	3
Total other comprehensive income	-	-	-	-	(7)	-	(7)
Total comprehensive income	-	-	-	-	(7)	493	486
Transactions with owners							
Share based payment charge for the year	-	-	-	73	-	-	73
Transfer to retained earnings	-	-	-	(100)	-	100	-
Balance at 31 March 2012	843	5,351	847	73	7	1,920	9,041

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Operating activities			
Cash generated from operations	25	8,024	46
Interest paid		(477)	(600)
Net cash generated / (outflow) from operating activities		7,547	(554)
Investing activities			
Interest received		7	24
Dividends received		3	3
Purchase of property, plant and equipment		(175)	(40)
Purchase of interest in joint ventures		(8)	-
Purchase of interest in associate		-	(90)
Proceeds from sale of property, plant and equipment		106	22
Proceeds from sale of investment properties		-	6
Proceeds from sale of available for sale investments		-	15
Net cash outflow from investing activities		(67)	(60)
Financing activities			
New loans		900	8,155
Loan repayments		(7,882)	(7,740)
Net cash (outflow) / generated from financing activities		(6,982)	415
Net increase / (decrease) in cash and cash equivalents		498	(199)
Cash and cash equivalents at beginning of year	19	(41)	158
Cash and cash equivalents at end of year	19	457	(41)

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

1. ACCOUNTING POLICIES

Basis of accounting

Safeland plc is listed on the AIM market of the London Stock Exchange and was incorporated and is domiciled in the UK.

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Going concern

The directors report that based on the group's budgets and financial projections to 31 August 2013, 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 the going concern basis.

Standards issued but not yet effective

At the date of authorisation of these financial statements the following relevant Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

International Accounting Standards (IAS/IFRS)		Effective date – annual periods beginning on or after
IAS 1	Financial statement presentation regarding other comprehensive income — Amendments for requirement for entities to group items presented in 'other comprehensive income'	1 July 2012 *
IAS 12	Income Taxes — Amendment to deferred tax; recovery of underlying assets	1 January 2012
IFRS 7	Financial instruments: Disclosures on derecognition — Amendments to disclosures required for transfer of financial assets	1 July 2011 *
IFRS 9	Financial Instruments — Classification and measurement of financial assets	1 January 2015
IFRS 10	Consolidated Financial Statements — Additional guidance to assist in determining control	1 January 2013
IFRS 11	Joint Arrangements — Additional guidance to assist with the identification of joint operations and joint ventures	1 January 2013

IFRS 12	Other entities — Disclosure for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles	1 January 2013
IFRS 13	Fair value measurement — Definition of fair value and a single source of fair value measurement	1 January 2013
IAS 27	Separate financial statements — Provisions on separate financial statements	1 January 2013
IAS 28	Interests in Joint Venture — Requirements for joint ventures to be equity accounted	1 January 2013

* Approved by the EU at the date of signing of these financial statements.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group when the relevant standards and interpretations come into effect.

Basis of preparation
The financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties and certain financial instruments. The principal accounting policies adopted are set out below.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of Safeland plc and all its subsidiaries made up to 31 March each year.

Investments in associates and joint ventures are equity accounted for using the latest available financial statements.

The acquisition or disposal of subsidiaries where property constitutes the only or main asset, are accounted for as property transactions.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board.

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/(bargain purchase). Goodwill is recognised as an asset and assessed for impairment at least annually. Negative goodwill is immediately recognised in profit or loss.

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

Motor vehicles	25% (reducing balance)
Fixtures, fittings and equipment	20% (reducing balance)

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

1. ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are those properties that are held either to earn rental income, for capital appreciation, or both. Investment properties are stated at fair value in the statement of financial position. Valuation surpluses and deficits arising in the period are included in profit or loss.

The gain or loss arising on the disposal of a property is determined as the difference between the sales proceeds and the fair value of the asset at the beginning of the period and is recognised directly in profit or loss.

Investment properties may be freehold properties or leasehold properties. For leasehold properties that are classified as investment properties, the associated leasehold obligations, if material, are accounted for as finance lease obligations.

Impairment of property, plant and equipment

At each statement of financial position date, the group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

Jointly controlled entities are accounted for using the equity method of accounting. Investments in joint ventures are carried in the consolidated statement of financial position at cost, 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 venture.

The group’s share of any jointly controlled operations or assets are recognised with similar items in these financial statements. Liabilities and expenses incurred directly are accounted for on an accruals basis.

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, assets, and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the consolidated statement of financial position 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 other comprehensive income. The gains and losses taken to other comprehensive income 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 in other comprehensive income 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 profit or loss.

Impairment losses recognised in profit or loss are not reversed through profit or loss.

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. Purchases of properties are recognised on completion of contracts.

Operating profit / (loss)

Operating profit is stated before share of results of joint venture and associate, impairment of available-for-sale investments, loss on disposal of available-for-sale investments, interest and tax.

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 profit or loss over the period of the borrowings, using the effective interest method.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss (FVTPL) are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For shares classified as available for sale (AFS), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of its impairment. For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

1. ACCOUNTING POLICIES (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Retirement benefit costs

Contributions to defined contribution or personal pension schemes are recognised in profit or loss in the year in which they become payable.

Equity

The total equity attributable to the equity holders of the parent comprise the following:

Share capital

Share capital represents the nominal value of shares issued.

Share premium account

Share premium represents amounts subscribed for share capital in excess of nominal value less the related costs of share issues.

Capital redemption reserve

The capital redemption reserve arises as a result of the buy back of the company's own shares by the company.

Investment revaluation reserve

The investment revaluation reserve arises as fair value gains and losses arise on the group's available for sale investment portfolio.

Share based payment

The share based payment reserve arises as the expense of issuing share-based payments is recognised over time. The reserve will fall as share options vest and are exercised but the reserve may equally rise or might see any reduction offset, as new potentially dilutive share options are issued. Balances relating to share options that lapse after they vest is transferred to retained earnings.

Retained earnings

Retained earnings represent undistributed cumulative earnings.

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Share based payment

The group has applied the requirements of IFRS 2 Share based payment to share options. The fair value of the share options are determined at the grant date and are expensed on a straight line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Monte Carlo model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects on non-transferability, exercise restrictions and behavioural considerations.

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.

Financial risk management
The group's financial instruments comprise bank loans and overdrafts, cash and cash equivalents, available-for-sale investments, derivative financial instruments and various items within trade and other receivables and payables that arise directly from its operations.

The main risks arising from the financial instruments are credit risk, interest rate risk and liquidity risk. The board reviews and agrees policies for managing these risks which are detailed below.

Credit risk
The principal credit risk arises from trade receivables which predominately comprise rental debtors. These are unsecured but the group's exposure to tenant default is limited as no tenant accounts for more than 5% of total rental income.

Interest rate risk
The group's interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

The group enters into interest rate swaps to manage its cash flow interest rate risk by using floating-to-fixed and capped interest rate swaps. The group raises borrowings at floating rates and swaps them into fixed or capped rates that are lower than those available if the group borrowed at fixed rates directly. Under the swaps, the group agrees with other parties to exchange the difference between fixed contracts and floating-rate interest amounts calculated by reference to an agreed notional amount.

Liquidity risk
All of the group's long term borrowings are secured on the group's property portfolio. The board regularly review the group's gearing levels, cash flow projections and associated headroom and ensure that excess banking facilities are available for future use.

Derivative financial instruments
None of the group's derivative financial instruments are designated as a hedging instrument. The derivative financial instruments are initially recognised at fair value and subsequently re-measured at fair value at the end of each reporting period. Changes in fair value of the derivatives are taken to profit or loss.

Revenue
Revenue comprises the sales proceeds from properties previously held as trading stock, rental income from investment properties, property management fees 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.

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.

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

1. ACCOUNTING POLICIES (continued)

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 on the basis of tax losses enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited directly in profit or loss, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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 statement of financial position date. Profits and losses arising on retranslation are included in profit or loss.

Other operating income

Other operating income includes rental income from trading properties.

Critical accounting judgements and key sources of estimation and uncertainty

Investment properties

At 31 March 2012, the carrying value of the group's investment properties was £4,793,000 (2011: £3,438,000). As at 31 March 2012, the investment properties were subject to a valuation exercise. The valuations are performed by a combination of the directors of Safeland plc and an independent third party valuer using the basis of market value as defined in the Apportionment and Valuation Manual of the Royal Institution of Chartered Surveyors. The split of the total valuations performed by each of the above is disclosed in note 13 to these financial statements. The increase in fair value of the group's investment properties during the year is £1,355,000 (2011: decrease of £24,000).

Trading properties

At 31 March 2012, the carrying value of the group's trading properties was £10,249,000 (2011: £19,256,000). As at 31 March 2012, the net realisable value of trading properties were ascertained using valuations performed by a combination of the directors of Safeland plc and independent third party valuers using the basis of market value as defined in the Apportionment and Valuation Manual of the Royal Institution of Chartered Surveyors. The split of valuations performed by the directors and each valuer is disclosed in note 17. Following this valuation an impairment of £49,000 (2011: £576,000) on the value of the properties was recognised in profit or loss.

2. OPERATING SEGMENTS

The group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker, identified as the board of directors, to allocate resources to the segments and to assess their performance.

In the opinion of the chief operating decision maker, the operations of the group comprise one class of business, being property trading, property refurbishment, property investment and property management based wholly in the United Kingdom.

3. COST OF SALES

	2012 £'000	2011 £'000
Cost of trading properties sold	12,867	9,290
Impairment of trading properties	49	576
	12,916	9,866

4. ADMINISTRATIVE EXPENSES

	2012 £'000	2011 £'000
Staff costs (see note 11)	614	2,087
Legal and professional fees	759	253
Property costs	129	129
Depreciation	51	91
Rentals under operating leases: land and buildings	72	75
Share option expense	73	-
Other expenses	470	294
	2,168	2,929

In September 2009 the Board informed each executive director that they had to forgo a proportion of their salary to take into consideration the market conditions and in the event that the group returned to a sustained profitable position, the forgone salary would be paid and the former salary reinstated. Unfortunately conditions did not improve and therefore in March 2011 the Board informed the executive directors that the amounts would not be made good under any circumstances and therefore an accrual for these monies in the sum of £1,877,000, comprising directors' emoluments of £1,664,000 and social security costs of £213,000, was credited to profit or loss in the year ended 31 March 2011.

5. OTHER OPERATING INCOME

	2012 £'000	2011 £'000
Rental income from trading properties	374	476
Other operating income	420	-
	794	476

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

6. FINANCE INCOME

	2012 £'000	2011 £'000
Interest revenue:		
Bank deposit interest	7	1
Preference dividend income	-	23
Total interest revenue	7	24
Dividends from equity investment	3	3
	10	27

7. FINANCE COSTS

	2012 £'000	2011 £'000
Interest on bank overdrafts and loans	477	532
Fair value of interest rate swaps	(88)	(77)
Interest rate swap breakage fee	-	68
Total borrowing costs	389	523

8. PROFIT / (LOSS) FOR THE FINANCIAL YEAR

	2012 £'000	2011 £'000
Profit / (loss) for the financial year is arrived at after charging:		
Depreciation on owned assets	51	91
Auditor's remuneration for audit services	58	58

Amounts payable to Baker Tilly UK Audit LLP and its related entities, in respect of both audit and non-audit services are set out below:

	2012 £'000	2011 £'000
Fees payable to the auditor for the audit of the company's annual accounts	29	29
Fees payable to the auditor and its related entities for other services:		
Audit of the company's subsidiaries	29	29
Taxation services	37	42
Corporate finance services	-	7
	66	78

The audit fees disclosed in 2012 represent the directors' estimate of the fees payable for the audit for the year ended 31 March 2012 and the non-audit fees are those incurred in the year.

9. TAX

	2012 £'000	2011 £'000
Current tax		
Corporation tax	-	-
Adjustment in respect of prior years	-	-
Total current tax	-	-
Deferred tax	(212)	-
Total tax charge	(212)	-

The charge for the year can be reconciled to the profit / (loss) per the income statement as follows:

	2012 £'000	2011 £'000
Profit / (loss) before tax	705	(965)
Tax at the UK corporation tax rate of 26% (2011: 28%)	183	(270)
Factors affecting charge for the year		
Disallowable expenditure	65	59
Tax losses carried forward	16	211
Impact of change in tax rates	(52)	-
Group tax charge	212	-

Details of deferred tax liabilities are included in note 22.

The group has tax losses of approximately £10m (2011: £10m) which are available for offset against future trading profits. A deferred tax asset of £2.4m (2011: £2.6m) has not been recognised in the financial statements due to the uncertainty as to the timing of future taxable profits.

10. EARNINGS / (LOSS) PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2012 £'000	2011 £'000
Profit / (loss) for the year attributable to equity holders of the company	493	(965)

	2012 '000	2011 '000
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	16,851	16,851
Effect of dilutive potential ordinary shares:		
Share options	938	-
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	17,789	16,851

There is no dilutive effect of potential ordinary shares in 2011 as there was a loss for the year.

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

11. STAFF COSTS

The average monthly number of employees (including executive directors) during the year was:

	2012 Number	2011 Number
Sales	3	3
Administration	7	10
	10	13

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

	2012 £'000	2011 £'000
Wages and salaries	552	1,801
Social security costs	57	265
Pension costs	5	21
	614	2,087
Directors' emoluments foregone (including social security costs of £Nil) - (see note 4)	-	(1,877)
	614	210

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £'000	Fixtures, fittings and equiptment £'000	Total £'000
Cost			
At 1 April 2010	606	148	754
Additions	40	-	40
Disposals	(74)	-	(74)
At 1 April 2011	572	148	720
Additions	175	-	175
Disposals	(296)	(43)	(339)
At 31 March 2012	451	105	556
Depreciation			
At 1 April 2010	354	113	467
Charge for the year	78	13	91
Disposals	(52)	-	(52)
At 1 April 2011	380	126	506
Charge for the year	48	3	51
Disposals	(217)	(36)	(253)
At 31 March 2012	211	93	304
Net book value			
At 31 March 2012	240	12	252
At 31 March 2011	192	22	214
At 31 March 2010	252	35	287

13. INVESTMENT PROPERTIES

	2012 £'000	2011 £'000
Fair value		
At 1 April 2011	3,438	3,462
Increase / (decrease) in fair value during the year	1,355	(24)
At 31 March 2012	4,793	3,438

The fair value of the investment properties at 31 March 2012 comprises freehold properties of £4,215,000 (2011: £2,890,000) and long leasehold properties of £578,000 (2011: £548,000).

The directors do not consider the fair value of the group's lease obligations associated with its long leasehold investment properties to be material to the financial statements. As a result, no finance lease obligations are included in the statement of financial position at 31 March 2011 or 2012.

The group has pledged investment properties with a carrying value of £4,773,000 (2011: £3,418,000) to secure banking facilities granted to the group.

The fair value of the group's investment properties at 31 March 2012 has been arrived at on the basis of market value as defined in the Apportionment and Valuation Manual of the Royal Institution of Chartered Surveyors. The valuations were performed by:

	2012 £'000	2011 £'000
External independent valuations		
- Cushman & Wakefield	4,555	659
Directors' valuations	238	2,779
	4,793	3,438

Property rental income earned by the group from its investment properties amounted to £22,000 (2011: £26,000). Direct operating expenses arose on these properties during the year of £1,000 (2011: £2,000).

The historical cost of investment properties included in the financial statements at 31 March 2012 is £1,169,000 (2011: £1,169,000) of which £464,000 (2011: £464,000) are freehold and £705,000 (2011: £705,000) are long leasehold properties.

14. INVESTMENTS IN JOINT VENTURES

Safeland Property Fund Management

Safeland Property Fund Management Limited ("SPFM"), a company incorporated in the United Kingdom, is a joint venture between Safeland plc and Electra Investors Limited. Safeland plc holds 60% of the issued share capital, but has no overall control. Safeland Property Fund Management Limited was employed as portfolio advisor to the trustees of Safeland Active Management Unit Trust. Safeland plc owns 39.52% of the units in Safeland Active Management Unit Trust (see note 16). The portfolio of properties in connection with this Joint Venture were sold on 7 July 2011.

Safestay

On 18 April 2011, the group entered into a joint venture agreement with Moorfield Real Estate Fund II called Safestay whereby both parties invest through a Jersey vehicle to establish a chain of tourism driven hostels, initially focused on London. Safestay is accounted for as a joint venture as Safeland plc had acquired 20% of Safestay for £7,500. As part of this agreement a property was sold by the group to the joint venture for £3,800,000 of which £1,072,000 remained due to Safeland as at 31 March 2012 and is included in other receivables in note 18. Safestay did not actively start trading during the year with the first hostel opening on 28 June 2012. The accounts to 31 December 2011 have been used to account for Safestay in the group's accounts and for the disclosures below as, in the opinion of the directors, there is no material difference compared to using accounts to 31 March 2012.

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

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

Group share of results	Safestay 2012 £'000	Safestay 2011 £'000	SPFM 2012 £'000	SPFM 2011 £'000
Revenue	-	-	-	345
Direct costs	(6)	-	-	(345)
Operating loss	(6)	-	-	-
Finance income	-	-	-	-
Finance costs	(2)	-	-	-
Loss before tax	(8)	-	-	-
Tax	-	-	-	
Loss after tax	(8)	-	-	-

Group share of net assets	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Non current assets	1,101	-	-	-
Current assets	390	-	-	443
Current liabilities	(1,070)	-	-	(443)
Non-current liabilities	(439)	-	-	-
Share of net liabilities	(10)	-	-	-

The group's share of net assets using the equity method of accounting:

	2012 £'000	2011 £'000
1 April 2011	-	-
Acquisition in year	8	-
Share of post acquisition losses	(8)	-
31 March 2012	-	-

15. INVESTMENTS IN ASSOCIATES

The group owns 50% of Grafton Insurance Services Limited ("Grafton") a company incorporated in the United Kingdom. The principal activity of Grafton is insurance brokerage. Grafton is accounted for an associate as Safeland plc exercises significant influence over Grafton. The statutory accounts for Grafton are drawn up to 31 January each year. The accounts to 31 January 2012 have been used to account for Grafton in the group's accounts and for the disclosures below as, in the opinion of the directors, there is no material difference compared to using accounts to 31 March 2012.

The group's share of net assets using the equity method of accounting:

	2012 £'000	2011 £'000
1 April 2011	117	-
Acquisition in year	-	90
Share of post acquisition profits	36	27
31 March 2012	153	117

The group's share of aggregated amounts relating to associates owned at 31 March 2012 extracted from the 31 January 2012 statutory accounts for Grafton are set out below:

	2012 £'000	2011 £'000
Total assets	113	198
Total liabilities	(39)	(124)
Revenue	71	76
Profit	36	27

The group was billed expenses of £81,209 in the year to 31 March 2012 by Grafton (2011: £95,742).

16. AVAILABLE-FOR-SALE INVESTMENTS

Fair value	2012 £'000	2011 £'000
1 April 2011	122	275
Disposals	-	(65)
Impairment charge	(60)	(100)
Fair value adjustment	(10)	12
31 March 2012	52	122

The group held the following available-for-sale investments at 31 March 2012.

- 511,919 ordinary equity shares in Palace Capital Plc, an AIM listed company. The directors estimate of the fair value of these shares at 31 March 2012 was £12,000 (2011: £22,000).
- 1,111,111 ordinary equity shares in Trust Property Management Plc. The directors estimate of the fair value of these shares at 31 March 2012 was £40,000 (2011: £100,000).
- 4,535,005 income units and 4,535,005 capital units representing 39.52% of both the issued income units and capital units of the Safeland Active Management Unit Trust. The directors estimate the fair value of these units as at 31 March 2012 was £Nil (2011: £Nil).

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

17. TRADING PROPERTIES

	2012 £'000	2011 £'000
Properties for resale	10,249	19,256

During the year, the group sold trading properties that cost £12,867,000 (2011: £9,290,000) for total consideration of £14,314,000 (2011: £9,889,000). These amounts have been recognised in the income statement as cost of sales and revenue for the year.

The group has pledged properties for resale with carrying value of £10,249,000 (2011: £17,951,000) to secure banking facilities granted to the group.

Properties for resale were reviewed for impairment as at 31 March 2012 and as a result there was an impairment of £49,000 (2011: impairment of £576,000) and this impairment expense is included within cost of sales in the income statement.

The net realisable value of the group's trading properties at 31 March 2012 has been ascertained using valuations calculated on the basis of market value as defined in the Apportionment and Valuation Manual of the Royal Institution of Chartered Surveyors. Each property is stated at the lower of cost and net realisable value. The valuations were performed by:

	2012 £'000	2011 £'000
External independent valuations		
- Cushman & Wakefield	4,405	7,050
- DTZ	-	3,545
Directors' valuations	5,844	8,661
	10,249	19,256

18. TRADE AND OTHER RECEIVABLES

	2012 £'000	2011 £'000
Trade receivables	206	48
Other receivables	1,315	607
Prepayments and accrued income	95	108
	1,616	763

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The average credit period on sales is Nil days (2011: Nil days) as sales are not completed if the proceeds are not received. As a result, the group does not have a policy on charging interest on late receivables or on providing for overdue receivables. Interest is only received from purchasers when a sale completes late, at a rate that is predetermined in the conditions of the particular sales contract.

Included in the group's trade receivables balance are receivables with a carrying amount of £Nil (2011: £Nil) which are past due at the reporting date for which the group has not provided. During the year, the group wrote off £Nil (2011: £Nil) on debts that were not expected to be recovered.

Included in other receivables are deposits paid on exchange of contracts in respect of the purchase of 1 (2011: 1) property totalling £183,500 (2011: £35,000). The balance of the purchase price totalling £1,651,500 (2011: £630,000) will be settled on completion.

19. CASH AND CASH EQUIVALENTS

	2012 £'000	2011 £'000
Cash and cash equivalents per statement of financial position	457	386
Bank overdrafts (note 20)	-	(427)
Cash and cash equivalents per cash flow statement	457	(41)

All of the group's cash and cash equivalents at 31 March 2012 are at floating interest rates except for cash held in non-interest bearing accounts of £Nil (2011: £5,000).

All of the group's cash and cash equivalents at 31 March 2012 and 2011 are in sterling.

The directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

20. BANK LOANS AND OVERDRAFTS

At amortised cost	2012 £'000	2011 £'000
Bank overdrafts	-	427
Bank loans	7,190	14,172
	7,190	14,599

	2012 £'000	2011 £'000
The borrowings are repayable as follows:		
In the second to fifth year	-	14,172
On demand or within one year	7,190	427
	7,190	14,599

There were no breaches in bank loan covenants as at 31 March 2011 and 31 March 2012.

All of the group's bank loans and overdrafts disclosed above comprise borrowings in sterling. Further details of the group's bank borrowings are disclosed in note 28.

The bank loans are secured on properties owned by the group.

The group had undrawn committed borrowing facilities as at 31 March 2012 of £2,021,000 (2011: £962,000).

There have been no defaults on any loans during the year.

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

21. TRADE AND OTHER PAYABLES

	2012 £'000	2011 £'000
Trade payables	108	52
Social security and other taxes	26	59
Accruals and deferred income	298	316
	432	427

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 16 days (2011: 15 days).

The directors consider that the carrying value of trade and other payables approximates to their fair value.

22. DEFERRED INCOME TAX LIABILITIES

	Revaluation of investment properties £'000	Fair value of available-for-sale investments £'000	Total £'000
1 April 2010	676	-	676
Charge to other comprehensive income	-	3	3
31 March 2011	676	3	679
Charge to income statement	212	-	212
Credit to other comprehensive income	-	(3)	(3)
31 March 2012	888	-	888

23. SHARE CAPITAL

	2012 £'000	2011 £'000
Authorised:		
45,750,000 ordinary shares of 5p each	2,288	2,288
Allotted, called up and fully paid:		
16,851,180 ordinary shares of 5p each	843	843

Share issues

There have been no shares issued during 2011 or 2012.

24. SHARE BASED PAYMENTS

The company has granted share options to subscribe for ordinary shares of 5p each, as follows:

Grant date	Exercise price per share (pence)	Period within which options are exercisable	31.03.2012	Number of share options outstanding 31.03.2011
09/01/2007	90.5	09/01/2010 to 08/01/2014	-	187,845
05/12/2007	72.5	05/12/2010 to 04/12/2014	-	134,482
09/01/2008	69.5	09/01/2011 to 08/01/2015	-	119,686
28/09/2011	9.25	28/09/2014 to 27/09/2021	20,844,270	-
			20,844,270	442,013

The share options granted in the year are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is 3 years from the date of grant and the share price must be a minimum of 11.25p. The options are forfeited if the employee leaves the group before the options vest. All of the options were granted in the year to the company's executive directors. No options were exercised during either 2012 or 2011 however 442,013 options lapsed in the year.

Details of these share options are summarised in the table below:

	2012		2011	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	442,013	79.3p	916,355	80.8p
Granted in the year	20,844,270	9.25p	-	-
Forfeited during year	(442,013)	(79.3p)	(474,342)	(82.2p)
Outstanding at end of year	20,844,270	9.25p	442,013	79.3p
Exercisable at end of year	Nil	Nil	442,013	79.3p

A share based payment charge was calculated using the Monte Carlo model to calculate the fair value of the share options granted in the year. The inputs are as follows:

	2012
Weighted average share price	9.25p
Weighted average exercise price	9.25p
Expected volatility	33%
Expected life	6.85 years
Risk-free rate	2.13%
Expected dividends yield	Nil

The Monte Carlo model uses the growth in market capitalisation of the company rather than share price as market capitalisation is not affected by share dilution.

Expected volatility was determined by calculating the historical volatility of the group's share price over a period prior to grant and equal to the length of time over which we are estimating future share prices (i.e. 10 years). Whilst past performance is not always a good indicator of movements in the future, it is difficult to determine any more accurate method and this approach is acceptable under IFRS 2.

The share option expense for the year ended 31 March 2012 was £73,000 (2011: £Nil).

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

25. NOTES TO THE CASH FLOW STATEMENT

	2012 £'000	2011 £'000
Profit / (loss) before tax	705	(965)
Adjustments for:		
Depreciation of property, plant and equipment	51	91
Profit on sale of property, plant and equipment	(20)	-
Profit on sale of investment properties	-	(5)
(Gain) / loss on revaluation of investment properties	(1,355)	24
Impairment of available for sale investments	60	100
Loss on sale of available for sale investments	-	50
Finance costs	389	496
Share of results of associate	(36)	(27)
Share of loss in joint venture	8	-
Finance income	(10)	-
Share-based payment charge	73	-
Changes in working capital:		
Decrease in trading properties	9,007	1,476
Increase in trade and other receivables	(853)	(351)
Increase / (decrease) in trade and other payables	5	(843)
Cash generated from operations	8,024	46

26. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the group had the following outstanding commitments for future minimum lease payments for land and buildings under non-cancellable operating leases.

	2012 £'000	2011 £'000
Not later than one year	49	49
Later than one year and not later than five years	78	27
	127	76

During the year ended 31 March 2012, the group made payments under operating leases for land and buildings of £49,000 (2011: £49,000).

27. RELATED PARTY TRANSACTIONS

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of the directors, who are the key management personnel of the group, is set out below.

	2012 £'000	2011 £'000
Short term employee benefits		
- Directors' emoluments	544	1,608
- Social security costs	70	206
- Directors' emoluments forgone (including social security costs of £Nil (2011: £213,000) – see note 4)	-	(1,877)
- Share based payment	73	-
	687	(63)

Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report.

Mr L G Lipman owns a leasehold property, the freehold of which is owned by the group. During the year, the group invoiced £75 (2011: £75) to Mr L G Lipman in respect of ground rent on this property. This amount has been included within other operating income and was received in full during the year.

The group manages a portfolio of properties owned by Mr L G Lipman. The group received commissions of £50,000 (2011: £27,679) from Mr L G Lipman in the year. This amount has been included in revenue. This amount was outstanding at the year end (2011: £27,679) and has been included in trade and other receivables.

During the year ended 31 March 2011, a director received a salary advance of £27,500. This was repaid in full during the year ended 31 March 2011.

The group provided management and advisory fees of £Nil (2011: £379,723) to Safeland Property Fund Management Limited in the year. At 31 March 2012, the group was owed £Nil (2011: £47,737). Safeland Property Fund Management Limited is a Joint Venture between Safeland Plc and Electra Partners Limited (see note 14).

During the year ended 31 March 2011, Safeland plc paid various expenses on behalf of Palace Capital plc totalling £17,013. These expenses were repaid to the company on completion of the purchase by Safeland plc of the 50% interest in Grafton Insurance Services Ltd.

During the year, a director purchased a vehicle on behalf of Safeland Plc for £62,000 (2011: £Nil). This amount was outstanding at the year end.

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

28. FINANCIAL INSTRUMENTS

Capital management

Total Capital is calculated as equity, as shown in the consolidated balance sheet, plus debt.

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	2012 £'000	2011 £'000
Share capital	843	843
Share premium account	5,351	5,351
Capital redemption reserve	847	847
Share based payment reserve	73	100
Investment revaluation reserve	7	14
Retained earnings	1,920	1,327
Current liabilities: Bank loans and overdrafts	7,190	427
Non-current liabilities: Bank loans and overdrafts	-	14,172

The group has no externally imposed capital requirements.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to these financial statements and in the tables below:

Categories of financial instruments

At 31 March 2012, the group held the following financial assets:

	2012 £'000	2011 £'000
Trade and other receivables	1,521	655
Cash and cash equivalents	457	386
Available for sale financial assets	52	122
	2,030	1,163

Of the above financial assets, £52,000 (2011: £122,000) relates to available for sale financial assets and the remainder are loans and receivables.

At 31 March 2012, the group held the following financial liabilities:

	2012 £'000	2011 £'000
Bank loans and overdrafts	7,190	14,599
Trade and other payables	406	368
Derivative financial instruments	21	109
	7,617	15,076

Of the above financial liabilities, £21,000 (2011: £109,000) relates to financial liabilities held at fair value through profit or loss and the remainder are financial liabilities measured at amortised cost.

The carrying amounts of the group's bank loans and overdrafts and trade and other payables approximate their fair value.

At 31 March 2012, the group had issued the following equity instruments:

	2012 £'000	2011 £'000
Share capital	843	843

Interest rate risk management

The group is exposed to interest rate risk on some of its borrowings, which are at floating interest rates at 2.65% above LIBOR as shown in the table below. The group carefully manages its interest rate risk on an ongoing basis. The group has two interest rate instruments to manage its interest rate risk. Further details of these swaps can be found in note 29 to these financial statements. The directors currently believe that interest rate risk is at an acceptable level.

The interest rates for the group's borrowings are set out in the table below. All interest rates are at variable rate, unless stated, and the rates disclosed include margins.

2012 Interest rate %	2012 Borrowings £'000	2011 Interest rate %	2011 Borrowings £'000
3.07	4,776	3.07	10,096
5.55 (fixed)	2,414	5.55 (fixed)	4,076
3.15	-	3.15	427
	7,190		14,599

As explained in note 29, a notional amount of £2,504,000 (2011: £4,136,000) has been fixed by an interest rate swap.

Also explained in note 29, the LIBOR rate on a notional amount of £6,250,000 (2011: £6,250,000) has been capped at 4%, which caps the rate on the notional amount at 6.65%.

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

28. FINANCIAL INSTRUMENTS (continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for all borrowings subject to interest charges at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 0.25% increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates.

Based on bank borrowings, at 31 March 2012, if interest rates were 0.25% higher and all other variables were held constant, the group's net profit would decrease by £12,000 (2011: £26,000). This is attributable to the group's exposure to interest rates on its variable rate borrowings.

Other price risks

The group has minimal exposure to equity price risk arising from its equity investments. The investments in equity securities present the group with opportunity for return through dividend income. Equity investments designated as available-for-sale are held for strategic rather than trading purposes and the group does not actively trade these investments.

The group's sensitivity to equity prices has not changed significantly from the prior year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

The group seeks to limit the credit risk on cash at bank by only depositing monies with UK banks that have high credit ratings at AA or above. Other credit risk arises from trade receivables which predominately comprise rental debtors. These are unsecured but the group's exposure to tenant default is limited as no tenant accounts for more than 5% of total rental income. The group therefore does not have any significant credit risk exposure to any single counterparty.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The board manages liquidity risk by regularly reviewing the group's gearing levels, cash flow projections and associated headroom and ensuring that excess banking facilities are available for future use. All of the group's long term borrowings are secured on the group's property portfolio.

Included in note 20 is a description of the undrawn facilities that the group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail the group's remaining contractual maturity for its borrowings. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay.

2012	In less than 1 year £'000	1-2 years £'000	2-5 years £'000	In more than 5 years £'000	Total £'000
Variable interest rate borrowings	4,776	-	-	-	4,776
Fixed interest rate borrowings	2,414	-	-	-	2,414
	7,190	-	-	-	7,190

All of the above loans and the overdraft are at a set interest rate above either LIBOR or the Bank of England Base rate except for the financial borrowings which are covered by an interest rate swap. The weighted average effective interest rate at 31 March 2012 was 3.90%.

2011	In less than 1 year £'000	1-2 years £'000	Total £'000
Variable interest rate borrowings	434	10,458	10,892
Fixed interest rate borrowings	-	4,340	4,340
Variable interest rate instruments	434	14,798	15,232

All of the above loans and the overdraft are at a set interest rate above either LIBOR or the Bank of England Base rate except for the financial borrowings which are covered by an interest rate swap. The weighted average effective interest rate as at 31 March 2011 was 3.77%.

At 31 March 2012 and 31 March 2011, all of the group's financial assets are non interest bearing, except cash of £457,000 (2011: £381,000). All non derivative financial assets are due within one year.

Fair value measurements recognised in the balance sheet

Financial instruments measured in the balance sheet at fair value are disclosed below using fair value measurements by level of the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED ACCOUNTS

Year ended 31 March 2012

28. FINANCIAL INSTRUMENTS (continued)

2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available-for-sale investments				
-Listed	12	-	-	12
-Other	-	-	40	40
Derivative financial instruments	-	(21)	-	(21)

2011	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available-for-sale investments				
-Listed	22	-	-	22
-Other	-	-	100	100
Derivative financial instruments	-	(109)	-	(109)

There were no transfers between levels in either year. The level 3 financial asset was impaired by £60,000 during the year.

29. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 March 2012, the group had two derivative financial instruments as detailed below.

- The LIBOR rate on a notional loan of £2,504,000 (2011: £4,136,000) was swapped to a fixed rate of 3.05% on £2,504,000 until 31 May 2012. The fair value of this financial instrument at 31 March 2012 was a liability of £21,000 (2011: £109,000).
- The LIBOR rate on a notional loan of £6,250,000 (2011: £6,250,000) was capped at 4% until 24 May 2012. The fair value of this financial instrument at 31 March 2012 was £Nil (2011: £Nil).

Neither of these financial instruments have been designated as hedging and consequently the fair value gain/(loss) for the year has been taken to the income statement and disclosed within finance costs.

COMPANY BALANCE SHEET

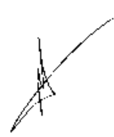
31 March 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	4	252	206
Investments	5	144	197
		396	403
Current assets			
Stocks	6	548	88
Debtors	7	11,270	20,338
Cash at bank and in hand		430	377
		12,248	20,803
Creditors: amounts falling due within one year	8	(8,545)	(1,478)
Net current assets		3,703	19,325
Total assets less current liabilities		4,099	19,728
Creditors: amounts falling due after more than one year	9	-	(14,172)
Net assets		4,099	5,556
Capital and reserves			
Called up equity share capital	10	843	843
Share premium account		5,351	5,351
Capital redemption reserve	11	847	847
Share based payment reserve	12	73	100
Profit and loss account	13	(3,015)	(1,585)
Equity shareholders' funds	14	4,099	5,556

These financial statements were approved by the Board of Directors and authorised for issue on 16 August 2012

They were signed on its behalf by:

R Lipman
Chairman



P M Davis
Director

NOTES TO THE COMPANY ACCOUNTS

Year ended 31 March 2012

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 and in accordance with applicable United Kingdom law and accounting standards.

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:

Motor vehicles	25% (reducing balance)
Fixtures, fittings and equipment	20% (reducing balance)

Stocks

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. Purchases of properties are recognised on completion of contracts.

Investments

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

Joint arrangements that are not an entity (“JANES”)

The company accounts for its own share of assets and liabilities of “JANES” measured according to the terms of the agreement governing the arrangement.

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 company’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.

Share based payment

The company has applied the requirements of FRS 20 Share based payment to share options. The fair value of the share options are determined at the grant date and are expensed on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Monte Carlo model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects on non-transferability, exercise restrictions and behavioural considerations.

The share based payment charge in respect of share options issued to employees of the company's subsidiaries is charged as an expense in the accounts of the subsidiary and added to the cost of the investment in subsidiaries in these accounts.

2. LOSS FOR THE FINANCIAL YEAR

The company has taken advantage of section 408 (3) of the Companies Act 2006 and consequently a profit and loss account for the company alone has not been presented.

The company's loss for the financial year was £1,530,000 (2011: loss of £1,147,000).

3. STAFF COSTS

	2012 Number	2011 Number
The company's average monthly number of employees (including executive directors) during the year was:		
Sales	3	3
Administration	5	5
	8	8

	2012 £'000	2011 £'000
The costs incurred in respect of these expenses (including executive directors) during the year were:		
Wages and salaries	352	1,466
Social security costs	262	226
	614	1,692
Directors' emoluments foregone (including social security costs of £Nil (2011: £213,000) - (see note 4 of consolidated accounts)	-	(1,877)
	614	(185)

Details of the directors' emoluments are included within the directors' remuneration report.

NOTES TO THE COMPANY ACCOUNTS

Year ended 31 March 2012

4. TANGIBLE FIXED ASSETS

	Motor vehicles £'000	Fixtures, fittings and equiptment £'000	Total £'000
Cost			
At 1 April 2011	514	105	619
Additions	175	-	175
Disposals	(238)	-	(238)
At 31 March 2012	451	105	556
Depreciation			
At 1 April 2011	323	90	413
Charge for the year	48	3	51
Disposals	(160)	-	(160)
At 31 March 2012	211	93	304
Net book value			
At 31 March 2012	240	12	252
At 31 March 2011	191	15	206

5. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Other investments £'000	Total £'000
Cost				
At 1 April 2011	219	90	1,355	1,664
Additions	-	-	8	8
At 31 March 2012	219	90	1,363	1,672
Provision for impairment				
At 1 April 2011	217	-	1,250	1,467
Charge for the year	-	-	61	61
At 31 March 2012	217	-	1,311	1,528
Net book value				
At 31 March 2012	2	90	52	144
At 31 March 2011	2	90	105	197

Shares in subsidiary undertakings

The principal subsidiaries at 31 March 2012 and their principal activities are as follows:

Safeland Active Management Limited	–	Property Fund Management
Safeland Investments Limited	–	Property investment

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

Joint ventures

Safeland Property Fund Management

Safeland Property Fund Management Limited ("SPFM") is a joint venture between Safeland plc and Electra Investors Limited. Safeland plc holds 60% of the issued share capital, but has no overall control. Safeland Property Fund Management Limited was employed as portfolio advisor to the trustees of Safeland Active Management Unit Trust. Safeland plc owns 39.52% of the units in Safeland Active Management Unit Trust.

Safestay

On 18 April 2011, the group entered into a joint venture agreement with Moorfield Real Estate Fund II whereby Safeland and MREFII will invest through a Jersey vehicle to establish a chain of tourism driven hostels, initially focused on London. Safestay is accounted for as a joint venture as Safeland plc acquired 20% of Safestay for £7,500. As part of this agreement a property was transferred from the group to the joint venture arrangement for £3,800,000, of which £1,072,000 remained due to Safeland at 31 March 2012.

Shares in associated undertakings

The company owns 50% of the issued share capital of Grafton Insurance Services Limited ("Grafton"), a company incorporated in the United Kingdom. The principal activity of Grafton is the provision of Insurance services.

Other investments

The company owns 511,919 ordinary equity shares in Palace Capital Plc. The market value of these shares at 31 March 2012 was £12,000 (2011: £22,000).

The company also owns 4,535,005 income units and 4,535,005 capital units in the Safeland Active Management Unit Trust. The directors estimate the market value of these units at 31 March 2012 was £Nil (2011: £Nil).

The company also owns 1,111,111 ordinary equity shares in Trust Property Management Plc. The directors estimate the fair value of these shares at 31 March 2012 was £40,000 (2011: £100,000).

6. STOCKS

	2012 £'000	2011 £'000
Properties for resale	548	88

The company has pledged properties for resale with a carrying value of £548,000 (2011: £84,000) to secure banking facilities granted to the company.

NOTES TO THE COMPANY ACCOUNTS

Year ended 31 March 2012

7. DEBTORS

	2012 £'000	2011 £'000
Due within one year:		
Amounts due from subsidiary undertakings	9,656	19,735
Amounts due from joint ventures	1,072	-
Other debtors	542	603
	11,270	20,338

The company has tax losses of approximately £6.6m (2011: £5.7m) which are available for offset against future trading profits. A deferred tax asset of approximately £1.6m (2011: £1.5m) has not been recognised in the financial statements due to the uncertainty as to the timing of future taxable profits.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Bank loans and overdrafts	7,190	427
Trade creditors	108	45
Amounts due to subsidiary undertakings	923	652
Other taxation and social security	24	37
Accruals and deferred income	300	317
	8,545	1,478

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

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £'000	2011 £'000
Bank loans	-	14,172

The bank loans are secured on properties owned by the group.
Bank loans and overdrafts are repayable as follows:

	2012 £'000	2011 £'000
Between one and two years	-	14,172
Between two and five years	-	-
	-	14,172

As explained in note 29 to the consolidated accounts, the company has entered into an interest rate swap and an interest rate cap.

10. CALLED UP EQUITY SHARE CAPITAL

	2012 £'000	2011 £'000
Authorised:		
45,750,000 ordinary shares of 5p each	2,288	2,288
Allotted, called up and fully paid:		
16,851,180 ordinary shares of 5p each	843	843

11. CAPITAL REDEMPTION RESERVE

	2012 £'000	2011 £'000
1 April 2011 and 31 March 2012	847	847

12. SHARE BASED PAYMENT RESERVE

	2012 £'000	2011 £'000
1 April 2011	100	210
Transfer to profit and loss account	(100)	(110)
Share based payment charge	73	-
31 March 2012	73	100

13. PROFIT AND LOSS ACCOUNT

	2012 £'000	2011 £'000
1 April 2011	(1,585)	(548)
Loss for the year	(1,530)	(1,147)
Transfer from share based transfer reserve	100	110
31 March 2012	(3,015)	(1,585)

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
Loss for the year	(1,530)	(1,147)
Share based payment charge for the year	73	-
Decrease in equity shareholders' funds	(1,457)	(1,147)
Opening equity shareholders' funds	5,556	6,703
Closing equity shareholders' funds	4,099	5,556

NOTES TO THE COMPANY ACCOUNTS

Year ended 31 March 2012

15. FINANCIAL INSTRUMENTS

Please refer to note 28, Financial Instruments, in the notes to the group accounts for all other financial instrument information relating to the company. There are no material differences between the information as presented for the group and for that relating to the company.

16. OPERATING LEASE COMMITMENTS

At the balance sheet date, the company was committed to making the following payments during the next year under non-cancellable operating leases as follows.

	Land and buildings 2012 £'000	2011 £'000
Expiring between 2 and 5 years	49	49

NOTICE OF ANNUAL GENERAL MEETING

Year ended 31 March 2012

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 1a Kingsley Way, London N2 0FW on 24 September 2012 at 10.00am to consider, and if thought fit, to pass the following resolutions of which resolutions numbered 1 to 5 will be proposed as ordinary resolutions and of which resolutions numbered 6 and 7 will be proposed as special resolutions:

Ordinary Business

1 That the report of the directors of the Company (the "Directors") and financial statements for the financial year ended 31 March 2012 be received and adopted.

2 That Errol Lipman be re-elected as a director of the Company.

3 That Larry Lipman be re-elected as a director of the Company.

4 That Baker Tilly UK Audit LLP be re-elected as auditors of the Company and the Directors be authorised to fix their remuneration.

Special Business

5 That:

5.1 the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all powers of the Company to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate maximum nominal amount of £280,853 provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next annual general meeting of the Company to be held in 2013 and 30 September 2013 save that the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after the expiry of such authority and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and

5.2 the authority granted by this resolution shall replace all existing authorities to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company previously granted to the Directors pursuant to section 551 of the Companies Act 2006 (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

6 That:

6.1 the Directors be and are hereby generally and unconditionally empowered pursuant to section 571(1) of the Companies Act 2006 (a) subject to the passing of Resolution 5, to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash pursuant to the authority conferred by Resolution 5; and (b) to allot equity securities (as defined in section 560(3) of the Companies Act 2006 (sale of treasury shares)) for cash, in either case as if section 561 of the Companies Act 2006 did not apply to such allotment, provided that this power shall be limited to:

6.1.1 the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them and for the purposes of this resolution "rights issue" means an offer of equity securities open for acceptance for a period fixed by the Directors to:

(a) holders on the register on a fixed record date of ordinary shares in proportions to their respective holdings; and

NOTICE OF ANNUAL GENERAL MEETING

Year ended 31 March 2012

(b) holders on the register of a fixed record date of other equity securities to the extent expressly required or (if considered appropriate by the Directors) permitted by the rights attached thereto,

but subject to such exceptions, exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, treasury shares, record dates, shares represented by depositary receipts, 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

6.1.2 the allotment (otherwise than pursuant to paragraph 6.1.1 above) of equity securities up to an aggregate maximum nominal value of £42,128,

and shall (unless previously revoked, varied or renewed by the Company in general meeting) expire on the earlier of the conclusion of the next annual general meeting of the Company to be held in 2013 and 30 September 2013 save that the Company may, before such expiry, make an 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

6.2 all previous unutilised authorities conferred under section 570 of the Companies Act 2006 shall cease to have effect and shall be and are hereby revoked provided that such revocation shall not have retrospective effect.

7 That the Company be and is hereby authorised for the purpose of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares in the capital of the Company ("Ordinary Shares"), on such terms and in such manner as the Directors may from time to time determine, provided that:

7.1 the maximum number of Ordinary Shares authorised to be purchased is 2,527,676 being such number of Ordinary Shares as represents approximately 15.0 per cent. of the current issued Ordinary Share capital of the Company;

7.2 the minimum price (exclusive of any expenses) which may be paid for any Ordinary Share shall be not less than 5 pence, being the nominal value of each Ordinary Share;

7.3 the maximum price (exclusive of any expenses) which may be paid for any Ordinary Share shall be not more than the higher of:

7.3.1 5 per cent. above the average of the market value for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the date on which the Ordinary Share is contracted to be purchased; and

7.3.2 the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the Daily Official List of the London Stock Exchange plc at the time the purchase is carried out;

7.4 unless previously renewed, varied or revoked, this authority shall expire on the earlier of the conclusion of the annual general meeting of the Company to be held in 2013 and 30 September 2013; and

7.5 the Company may make a contract to purchase Ordinary Shares under this authority before its expiry which will or may be executed wholly or partly thereafter and may make a purchase of Ordinary Shares in pursuance of any such contract as if such authority had not expired.

By order of the Board

PAUL MALCOLM DAVIS
Company Secretary
16 August 2012

Registered Office
1A Kingsley Way
London N2 0FW

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 the Company, 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. A shareholder entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend, speak and vote instead of that shareholder. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share held by the appointing shareholder.
4. To be effective, the relevant proxy form must be completed and lodged with the Company's registrar, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 48 hours before the meeting together with the original of any power of attorney or other authority under which the form of proxy is signed. In the case of a corporation, the form of proxy must be executed under its common seal or under the hand of any officer or attorney duly authorised. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy. Completion and return of the relevant proxy form enclosed herewith will not prevent a shareholder from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his/her discretion. Your proxy will vote (or abstain from voting) as he/she thinks fit in relation to any other matter which is put before the meeting.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) no later than 48 hours before the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

NOTICE OF ANNUAL GENERAL MEETING

Year ended 31 March 2012

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of the Company at 6.00 p.m. on 22 September 2012 (or if the Annual General Meeting is adjourned, members entered on the Register of Members of the Company not later than 48 hours before the time fixed for the adjourned Annual General Meeting) shall be entitled to attend, speak and vote at the Annual General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register of Members of the Company after 6.00 p.m. on 22 September 2012 shall be disregarded in determining the rights of any person to attend, speak or vote at the Meeting.
9. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
10. Copies of the service agreements of the Executive Directors and the letters of appointment of the Non-Executive Directors will be available for inspection at the Company's registered office during normal business hours on any week day (but not at weekends or on public holidays) up to and including the date of the Annual General Meeting. Copies of all the above mentioned documents will also be available on the date of the Annual General Meeting at the place of the meeting for 15 minutes prior to the meeting until its conclusion.
11. Except as provided above, members who have general queries about the meeting should write to the Company Secretary at the address of our registered office. You may not use any electronic address provided either in this notice of Annual General Meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

ANNUAL GENERAL MEETING PROXY FORM

Year ended 31 March 2012

Before completing this form, please read the explanatory notes overleaf

I/We being a member of the Company appoint the Chairman of the meeting or (see note 4)

as my/our proxy to attend, speak and vote on my/our behalf at the Annual General Meeting of the Company to be held at 1a Kingsley Way, London N2 0FW on 24th September at 10.00am and at any adjournment of the meeting.

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

RESOLUTIONS	For	Against	Abstain
1. THAT the report of the directors and financial statements for the financial year ended 31 March 2012 be received and adopted.	[ ]	[ ]	[ ]
2. THAT Errol Lipman be re-elected as a director of the Company.	[ ]	[ ]	[ ]
3. THAT Larry Lipman be re-elected as a director of the Company.	[ ]	[ ]	[ ]
4. THAT Baker Tilly UK Audit LLP be re-elected as auditors of the Company and the directors be authorised to fix their remuneration.	[ ]	[ ]	[ ]
5. THAT the directors be authorised to allot shares pursuant to section 551 of the Companies Act 2006.	[ ]	[ ]	[ ]
6. THAT section 561 of the Companies Act 2006 be disapplied.	[ ]	[ ]	[ ]
7. THAT the Company be authorised to purchase its own shares pursuant to section 701 of the Companies Act 2006.	[ ]	[ ]	[ ]

Signature

Date

Please return the proxy form in the reply paid envelope provided

EXPLANATORY NOTES TO THE PROXY FORM

1. A shareholder entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend, speak and vote instead of that shareholder. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share held by the appointing shareholder.
2. To be effective, this card and the power of attorney or other authority, if any, under which it is signed must be lodged with the Company's registrars at Capita Registrars, Proxies Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the meeting. In the case of a corporation, this proxy must be executed under its common seal or under the hand of any officer or attorney duly authorised.
3. In the case of joint holders, the vote of the first name on the register who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders.
4. If you wish to appoint as your proxy someone other than the Chairman of the Meeting, delete the words "the Chairman of the Meeting" and insert the name of your chosen proxy in the space provided in the first box. If the proxy is being appointed in relation to part of your holding only, please enter in the box next to the proxy's name the number of shares in relation to which they are authorised to act as your proxy. If this box is left blank, they will be authorised in respect of your full voting entitlement. A proxy need not be a member of the Company.
5. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Company's registrar, Capita Registrars, on 0871 664 0300 (calls cost 10p per minute plus network extras) or you may copy this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Multiple proxy appointments should be returned together in the same envelope.
6. Any alteration should be initialled by the person signing this proxy.
7. Please indicate with an "X" in the appropriate boxes how you wish your votes on the resolutions to be cast. Unless otherwise instructed, your proxy may vote or abstain from voting as he/she thinks fit. The "Abstain" option is to enable you to abstain on any particular resolution. A vote abstained will be treated as a vote withheld and is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his/her discretion.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (RA10) no later than 48 hours before the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. You can only appoint a proxy using the procedures set out in these notes and the notes to the Notice of Annual General Meeting. Completion and return of the relevant proxy form enclosed herewith will not prevent a shareholder from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. To have the right to attend, speak and vote (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the Register of Members of the Company by no later than 6 p.m. on 22 September 2012 or, in the event that the meeting is adjourned, 48 hours prior to the date of the adjourned meeting. Changes to entries on the Register of Members after this time shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting.
12. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

Design www.energydesignstudio.com **Board photography** www.nathanpask.com **Safestay photography** www.jamesbedford.com

Safeland plc
1a Kingsley Way
London N2 0FW

T: 020 8815 1600
F: 020 8815 1601

www.safeland.co.uk