

SAFELAND PLC

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

Chairman's statement

I am delighted to report that the six months to 30 September 2014 has seen Safeland plc generate a significant increase in turnover and profit.

Headlines

Turnover: £7.76m (2013: £5.03m), up 54.1%

Profit before tax: £2.2m (2013: £0.2m)

Total shareholder return: 127.6% (2013: 68.0%)

Dividend in specie paid in the period equivalent to 10.73 pence per share (2013: nil)

Net asset value per share: 63.8p (2013: 59.0p, 31 March 2014 63.0p)

The six month period has seen the Board focus on realising the increase in value from some of the Group's investments and its portfolio of trading property whilst continuing to identify new opportunities in the London property market.

On 2 May 2014, Safeland demerged its Safestay joint venture. Safeland received 3,617,246 shares from Safestay plc, with a market value of £1.808m, generating a profit on sale of its investment in the joint venture for the half year of £209k. Combined with the capital restructuring approved by shareholders on 20 February 2014, Safeland made a distribution to shareholders by way of a dividend in specie of the Safestay plc shares it had received. The market value of the Safestay plc shares was the equivalent of a cash dividend of 10.73 pence per share.

On 4 November 2014, Safeland announced that it had completed the sale of 31 residential units in Wimbledon for £10.23m. Construction of these flats is due to be completed in two stages in February 2015 and June 2015.

On 7 November 2014, Safeland announced that following the granting of a planning consent, it had completed the sale of the Chandos Tennis club to a prominent housebuilder who intends develop the site. The consideration payable comprised £4.0 million in cash, which has been received. The balance will be satisfied by way of the transfer to Safeland of four detached houses (valued by the Company's directors in aggregate at £9.2 million) in the completed development anticipated by the summer of 2017. The cash consideration received was used to redeem bank debt secured on the property. The Group is also entitled to overage payments from the sale of the residential units once developed.

On 9 December 2014, the Board renewed its £12.5m credit facility with its principal bankers, Lloyds, for a further 3 years.

Outlook

The property market remains stable but could be affected by interest rate changes and global economic events. Notwithstanding this, the Board believes that it has the skills necessary, and the resources available, to make the opportunistic acquisitions and sales that generate shareholder return.

Raymond Lipman
Chairman

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Safeland Plc Condensed consolidated income statement	Unaudited Six months ended 30 September 2014 £000	Unaudited Six months ended 30 September 2013 £000	Audited Year ended 31 March 2014 £000
Revenue	7,763	5,029	10,408
Cost of sales	(5,315)	(4,003)	(8,269)
Gross profit	2,448	1,026	2,139
Administrative expenses	(588)	(711)	(1,458)
Gain on revaluation of investment properties	225	-	325
Share of results of jointly controlled entity	11	58	252
Share of results of associate	25	22	53
Profit on sale of investment in joint venture	209	-	-
Profit on sale of investment property	124	-	-
Operating profit	2,454	395	1,311
Finance income	1	-	1
Finance costs	(224)	(180)	(409)
Profit before tax	2,231	215	903
Tax	(351)	-	(93)
Profit for the financial period attributable to owners of the parent company	1,880	215	810
Basic earnings per share (note 2)	11.15p	1.28p	4.81p
Diluted earnings per share (note 2)	5.12p	0.58p	3.17p

Safeland plc Condensed consolidated statement of comprehensive income	Unaudited Six months ended 30 September 2014 £000	Unaudited Six months ended 30 September 2013 £000	Audited Year ended 31 March 2014 £000
Profit for the period	1,880	215	810
Total comprehensive income for the period attributable to owners of the parent company	1,880	215	810

Condensed consolidated statement of financial position	Unaudited 30 September 2014 £000	Unaudited 30 September 2013 £000	Audited 31 March 2014 £000
Non-current assets			
Property plant and equipment	170	149	151
Investment properties (note 5)	5,448	5,018	5,343
Investment in jointly controlled entity	-	504	698
Investments in associate	151	126	126
Available-for-sale investments	225	50	50
	<u>5,994</u>	<u>5,847</u>	<u>6,368</u>
Current assets			
Trading properties (note 6)	13,098	13,239	12,483
Trade and other receivables	362	1,308	1,509
Cash and cash equivalents	2,865	499	1,003
	<u>16,325</u>	<u>15,046</u>	<u>14,995</u>
Total assets	<u>22,319</u>	<u>20,893</u>	<u>21,363</u>
Current liabilities			
Bank loans and overdrafts (note 7)	9,500	-	-
Trade and other payables	1,287	488	1,633
Derivative financial instruments	3	2	3
	<u>10,790</u>	<u>490</u>	<u>1,636</u>
Non-current liabilities			
Bank loans (note 7)	-	9,700	8,400
Deferred income tax liabilities	778	756	717
	<u>778</u>	<u>10,456</u>	<u>7,634</u>
Total liabilities	<u>11,568</u>	<u>10,946</u>	<u>10,753</u>
Net assets	<u>10,751</u>	<u>9,947</u>	<u>10,610</u>
Equity			
Share capital	843	843	843
Share premium account	-	5,351	-
Capital redemption reserve	-	847	-
Share-based payment reserve	417	280	348
Investment revaluation reserve	5	5	5
Retained earnings	9,486	2,621	9,414
Total equity attributable to owners of the parent company	<u>10,751</u>	<u>9,947</u>	<u>10,610</u>

Safeland plc
Condensed consolidated statement of
cash flows

	Unaudited Six months Ended 30 September 2014 £000	Unaudited Six months ended 30 September 2013 £000	Audited Year ended 31 March 2014 £000
Cash flows from operating activities			
Cash generated/(utilised) from operations (note 4)	946	(2,819)	(787)
Interest paid	(225)	(189)	(416)
Net cash generated/(utilised) from operating activities	721	(3,008)	(1,203)
Cash flows from investing activities			
Cash flows from investing activities	1	-	1
Distributions from associate	-	-	30
Purchase of property, plant and equipment	(88)	(41)	(115)
Purchase of available for sale investments	(175)		
Proceeds from sale of investment property	244	-	-
Proceeds from sale of property, plant and equipment	59	14	56
Net cash inflow/(outflow) from investing activities	41	(27)	(28)
Cash flows from financing activities			
New loans	6,400	2,822	8,206
Loan repayments	(5,300)	-	(6,684)
Net cash inflow from financing activities	1,100	2,822	1,522
Net increase/(decrease) in cash and cash equivalents	1,862	(213)	291
Cash and cash equivalents at beginning of period	1,003	712	712
Cash and cash equivalents at end of period	2,865	499	1,003

Safeland plc Condensed consolidated statement of changes in Equity	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 2014	843	-	-	348	5	9,414	10,610
Comprehensive income							
Profit for the six months period to 30 September 2014	-	-	-	-	-	1,880	1,880
Total comprehensive income	-	-	-	-	-	1,880	1,880
Transactions with owners							
Dividend	-	-	-	-	-	(1,808)	(1,808)
Share-based payment charge for the period	-	-	-	69	-	-	69
Balance at 30 September 2014	843	-	-	417	5	9,486	10,751

Safeland plc Condensed consolidated statement of changes in equity	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 2013	843	5,351	847	211	5	2,406	9,663
Comprehensive income							
Profit for the six months period to 30 September 2013	-	-	-	-	-	215	215
Total comprehensive income	-	-	-	-	-	215	215
Transactions with owners							
Share-based payment charge for the period	-	-	-	69	-	-	69
Balance at 30 September 2013	843	5,351	847	280	5	2,621	9,947

Safeland plc Condensed consolidated statement of changes in Equity	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 2013	843	5,351	847	211	5	2,406	9,663
Comprehensive income							
Profit for the year to 31 March 2014	-	-	-	-	-	810	810
Total comprehensive income	-	-	-	-	-	810	810
Transactions with owners							
Capital reduction	-	(5,351)	(847)	-	-	6,198	-
Share-based payment charge for the period	-	-	-	137	-	-	137
Balance at 31 March 2014	843	5,351	847	348	5	9,414	10,610

1. Basis of preparation and accounting policies

The condensed interim consolidated financial statements of the Company and its subsidiaries ("the Group") for the six months ended 30 September 2014 ("the period") have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest audited financial statements for the year ended 31 March 2014. This half year statement does not constitute full accounts as defined by Section 434 of the Companies Act 2006

These condensed interim financial statements have not been audited, do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 March 2014.

2. Earnings per share

	Unaudited Six months ended 30 September 2014 £000	Unaudited Six months Ended 30 September 2013 £000	Audited Year ended 31 March 2014 £000
Profit for the financial period attributable to owners of the parent company	1,880	215	810
	No 000	No 000	No 000
Weighted average number of ordinary shares the purposes of basic earnings per share	16,851	16,851	16,851
Effect of potential dilutive ordinary shares: share options	19,865	19,865	8,693
Weighted average number of ordinary shares for the purposes of diluted earnings per share	36,716	17,789	25,544

Diluted Earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

3. Dividends

On 2 May 2014, the company distributed the Safestay plc shares it received by way of a dividend in specie. Each shareholder received one Safestay plc share for every 4.66 Safeland plc share held. The market value of the Safestay plc shares at the date of the distribution was 50p.

No interim dividend has been declared.

4. Cash flows from operating activities

	Unaudited Six months Ended 30 September 2014 £000	Unaudited Six months ended 30 September 2013 £000	Audited Year ended 31 March 2014 £000
Profit before tax	2,230	215	903
Depreciation	25	18	50
Loss on sale of property, plant and equipment	(15)	(7)	(9)
Gain on revaluation of investment properties	(225)	-	(325)
Profit on sale of investment in joint venture	(209)	-	-
Profit on sale of investment property	(124)	-	-
Share of results of associate	(25)	(22)	(53)
Share of results of jointly controlled entity	(11)	(58)	(252)
Finance income	(1)	-	(1)
Finance costs	219	180	409
Share-based payments charge	69	69	137
	1,933	395	(787)
Changes in working capital			
Increase in trading properties	(615)	(3,375)	(2,619)
Decrease in trade and other receivables	258	423	197
(Decrease)/increase in trade and other payables	(630)	(262)	776
	946	(2,819)	(787)

5. Investment properties

	Unaudited Six months ended 30 September 2014 £000	Unaudited Six months ended 30 September 2013 £000	Audited Year ended 31 March 2014 £000
Fair value			
Start of the period	5,343	5,018	5,018
Disposals	(120)	-	-
Increase in fair value during the period	225	-	325
End of period	5,448	5,018	5,343

The fair value of the investment properties at 30 September 2014 comprises freehold properties of £4,990,000 (30 September 2013: £4,440,000 and 31 March 2014: 4,765,000 and long leasehold properties of £458,000 (30 September 2013: £578,000 and 31 March 2014: £578,000).

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 30 September 2014, 30 September 2013 or 31 March 2014.

The Group has pledged investment properties for resale with carrying value of £5,448,000 (30 September 2013: £5,018,000 and 31 March 2014: £5,343,000).

On the 7 November 2014, the Chandos Tennis Club was sold. At the 30 September 2014 the carrying value of this property was £4,725,000 (see note 8).

6. Trading properties

	Unaudited Six months ended 30 September 2014 £000	Unaudited Six months ended 30 September 2013 £000	Audited Year ended 31 March 2014 £000
Properties for resale	13,098	13,239	12,483

The Group has pledged trading properties for resale with carrying value of £11,169,000 (30 September 2013: £13,239,000 and 31 March 2014: £12,483,000).

7. Bank loans and overdrafts

	Unaudited Six months ended 30 September 2014 £000	Unaudited Six months ended 30 September 2013 £000	Audited Year ended 31 March 2014 £000
Bank loans			
Due within one year	9,500	-	-
Due within one to two years	-	9,700	8,400
	<u>9,500</u>	<u>9700</u>	<u>8,400</u>

There were no breaches in bank loan covenants as at 30 September 2014, 30 September 2013 or 31 March 2014. All of the Group's bank loans and overdrafts disclosed above comprise borrowings in sterling. The bank loans are secured on properties owned by the Group.

At 30 September 2014, the loan facility was due to expire on 24 April 2015. On 9 December 2014 the company renewed its loan facility with its principal lender for a three year period ending 8 December 2017.

8. Post balance sheet events

The company announced on 7 November 2014 the sale of the Chandos tennis club to a prominent residential developer after planning consent to build residential property at this location was unconditionally granted.

The completion of the sale will be recognised in the second half of the current financial year. At 30 September 2014 the property was valued on the future anticipated proceeds less a deduction for planning risks which were prevalent at that date.

The Group received £4.0m in cash on the completion date and, in addition, a deferred consideration of four residential properties from the developer in exchange for the Tennis club and a second plot of land held in trading stock. This property is anticipated to be completed and transferred to the group in June 2017 where it will be classed as trading property. The Directors have valued this deferred consideration at £9.20m and estimate the net present value to be £7.65m after applying a discount rate of 6.5%. The carrying value of the investment property sold at 30 September 2014 was £4.725m and the trading property was £1.836m. The group is also entitled to overage payments from the onward sale of the residential property sold from this development, although the directors do not anticipate further proceeds at this stage.

9. Copies of this announcement are available on the Company's website www.safeland.co.uk.