

Interim Results

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Safeland PLC
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STRICTLY EMBARGOED UNTIL 7am: 17 December 2018

Safeland plc
("Safeland" or the "Company" or the "Group")

Interim Results
For the Six Months to 30 September 2018

Safeland (AIM: SAF), the property trading and investment company, announces its unaudited interim results for the six months ended 30 September 2018

Highlights

Turnover: £2.0m (2017: £2.8m)

Loss before tax: £0.5m (2017: loss £0.2m)

Net asset value per share: 140.2p (30 September 2017: 129.3p, 31 March 2018: 144.6p)

Managing Director's Statement

I am pleased to report the Group's interim results for the 6 months to 30 September 2018. These results reflect transactional volatility that shareholders will be aware of.

During the period, the Group sold five investment properties in north London. The Group took possession of four houses as part and final consideration for the sale of the Chandos Tennis Club. The consideration payable for the sale in 2014 comprised £4.0m in cash (which was received in 2014) and the balance was to be satisfied by way of transfer to Safeland of four detached houses (valued at the time by the Company's directors, in aggregate, at £9.2m) in the completed development.

All 3 houses in the Edeleny Close development and all 18 apartments in the Raglan Hall development have been let to third parties at an annual rental of £525k.

Given the results for the 6 months ended 30 September 2018, the Directors do not propose the payment of an interim dividend (6 months ended 30 September 2017: nil; year ended 31 March 2018: 1p).

Outlook

As stated in previous announcements, the market continues to be constrained by the current economic and political outlook. However, we continue to pursue acquisition opportunities whilst continuing to add value to existing stock held through planning or development. To that end, since the period end, the Group has acquired a golf club in Woldingham, Surrey for £1.065m in cash. We intend to invest in developing the club's existing facilities and thereby enhance its appeal to both existing and new members. In November, we also acquired a shopping mall in Northampton for £0.6m in cash.

The Board is confident that it has the skills necessary to make selected acquisitions in the current market, but is being extremely selective until there is further clarity as to the general economic and political outlook.

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Condensed consolidated income statement	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Revenue			
Continuing	1,964	2,846	2,900
	<hr/>	<hr/>	<hr/>
	1,964	2,846	2,900
Cost of sales	(1,367)	(2,580)	(2,595)
Gross profit	<hr/> 597	<hr/> 266	<hr/> 305
Administrative expenses	(698)	(700)	(1,577)
Gain on revaluation of investment properties	-	-	3,833
Share of results of associate	12	12	25
Dividend from investment	6	6	11
(Loss)/profit on disposal of investment property	(145)	73	74
Profit on sale of fixed assets	-	12	-
Operating (loss)/profit	<hr/> (228)	<hr/> (331)	<hr/> 2,671
Finance income	1	293	148
Finance costs	(245)	(186)	(426)
(Loss)/profit before tax	<hr/> (472)	<hr/> (224)	<hr/> 2,393
Tax	-	-	(247)
(Loss)/profit for the financial period attributable to owners of the parent company	<hr/> (472)	<hr/> (224)	<hr/> 2,146
Basic (loss)/earnings per share (note 2)	(3.17p)	(1.49p)	14.25p
Diluted (loss)/earnings per share (note 2)	(3.17p)	(1.49p)	7.88p

There is no difference between the diluted loss per share and the basic loss per share presented as the effect of the share options in issue is anti-dilutive.

Condensed consolidated statement of comprehensive income

Unaudited Unaudited

	Six months ended 30 September 2018 £000	Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
(Loss)/profit for the period	(472)	(224)	2,146
Other comprehensive (loss)/income			
Fair value (losses)/gains on available for sale financial assets	(38)	30	(104)
Other comprehensive (loss)/income for the period, net of tax	(38)	30	(104)
Total comprehensive (loss)/income for the period attributable to owners of the parent company	(510)	(194)	2,042

Condensed consolidated statement of financial position

	Unaudited 30 September 2018 £000	Unaudited 30 September 2017 £000	Audited 31 March 2018 £000
Non-current assets			
Property plant and equipment	1,753	1,830	1,789
Investment properties (note 5)	23,217	1,182	14,762
Investments in associate	139	133	127
Available-for-sale investments	660	832	698
	25,769	3,977	17,376
Current assets			
Trading properties (note 6)	4,404	13,290	5,018
Trade and other receivables	73	9,500	9,238
Cash and cash equivalents	481	2,157	1,066
	4,958	24,947	15,322
Total assets	30,727	28,924	32,698
Current liabilities			
Bank loans and overdrafts (note 7)	-	9,325	10,455
Trade and other payables	677	198	470
Corporation tax payable	166	-	140
	843	9,523	11,065
Non-current liabilities			
Bank loans (note 7)	8,910	-	-
Deferred income tax liabilities	74	32	74
	8,984	32	74
Total liabilities	9,827	9,555	11,139
Net assets	20,900	19,369	21,559
Equity			
Share capital (note 8)	745	749	745
Share-based payment reserve	354	354	354
Investment revaluation reserve	(224)	(52)	(186)
Capital redemption reserve	98	94	98
Retained earnings	19,927	18,224	20,548
Total equity attributable to owners of the parent company	20,900	19,369	21,559

Consolidated Statement of Changes in Equity

For the six months to 30 September 2018 (unaudited)

	Share Capital	Capital redemption reserve	Share- based payment reserve	Revaluation Reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018	745	98	354	(186)	20,548	21,559
Comprehensive income						
Profit/(loss) for the period	-	-	-	-	(472)	(472)
Revaluation of available-for-sale investments	-	-	-	(38)	-	(38)
Total comprehensive income	-	-	-	(38)	(472)	(510)
Transactions with owners						
Dividend paid	-	-	-	-	(149)	(149)
Total transactions with owners	-	-	-	-	(149)	(149)
Balance at 30 September 2018	745	98	354	(224)	19,927	20,900

For the six months to 30 September 2017 (unaudited)

	Share Capital	Capital redemption reserve	Share- based payment reserve	Revaluation Reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017	768	75	354	(82)	18,815	19,930
Comprehensive income						
Profit for the period	-	-	-	-	(224)	(224)
Revaluation of available-for-sale investments	-	-	-	30	-	30
Total comprehensive income	-	-	-	30	(224)	(194)
Transactions with owners						
Purchase of own shares	(19)	19	-	-	(216)	(216)
Dividend paid	-	-	-	-	(151)	(151)
Total transactions with owners	(19)	19	-	-	(367)	(367)
Balance at 30 September 2017	749	94	354	(52)	18,224	19,369

For the year ended 31 March 2018 (audited)

	Share Capital	Capital redemption reserve	Share- based payment reserve	Revaluation Reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017	768	75	354	(82)	18,815	19,930

Comprehensive income						
Profit for the year	-	-	-	-	2,146	2,146
Revaluation of available-for-sale investments	-	-	-	(104)	-	(104)
Total comprehensive income	-	-	-	(104)	2,146	2,042
Transactions with owners						
Purchase of own shares	(23)	23	-	-	(262)	(262)
Dividend paid	-	-	-	-	(151)	(151)
Total transactions with owners	(23)	23	-	-	(413)	(413)
Balance at 31 March 2018	745	98	354	(186)	20,548	21,559

Condensed consolidated statement of cash flows

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Cash flows from operating activities			
Cash generated by/(utilised) from operations (note 4)	66	(4,409)	(6,274)
Interest paid	(245)	(165)	(395)
Corporation tax paid	-	-	(65)
Net cash (utilised)/generated from operating activities	(179)	(4,574)	(6,734)
Cash flows from investing activities			
Interest received	1	3	5
Other dividends received	6	6	36
Purchase of property, plant and equipment	-	(52)	(44)
Additions to investment properties	(27)	-	-
Proceeds from sale of investment properties	1,309	116	72
Proceeds from sale of property, plant and equipment	-	79	79
Net cash inflow/(outflow) from investing activities	1,289	152	148
Cash flows from financing activities			
New loans	-	1,665	2,785
Loan repayments	(1,546)	-	-
Purchase of own share capital	-	(215)	(262)
Dividends paid to equity shareholders	(149)	(151)	(151)
Loan repayments	-	-	-
Net cash inflow from/(used in) financing activities	(1,695)	1,299	2,372
Net increase/(decrease) in cash and cash equivalents	(585)	(3,123)	(4,214)
Cash and cash equivalents at beginning of period	1,066	5,280	5,280
Cash and cash equivalents at end of period	481	2,157	1,066

1. Basis of preparation and accounting policies

The condensed interim consolidated financial statements of the Company and its subsidiaries (the "Group") for the 6

months to 30 September 2018 (the "period") have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information presented above does not constitute statutory financial statements as defined by section 435 of the Companies Act 2006.

Copies of this announcement are available from the Company's registered office at 1a Kingsley Way, London N2 0FW and on its website, www.safeland.co.uk.

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 2018. While the financial figures included within this interim report have been computed in accordance with IFRS applicable to interim periods, this report does not contain sufficient information to constitute an interim financial report as set out in International Accounting Standard 34 Interim Financial Reporting.

Revenue

Revenue is stated net of VAT and comprises rental income, proceeds from sales of trading properties, fees, commissions and other income.

Sales of trading properties are recognised on completion of a contract. This reflects the point of transfer of risk and rewards when a trading property is sold.

Rental income from investment and trading properties leased out under operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease. Contingent rents which comprise turnover rents are recognised as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Revenue in the previous period arising from deferred consideration in the form of four completed houses in a residential development being completed on the site of the Chandos Tennis Club in the forthcoming year is based on a valuation by the directors, discounted to a present-day value using the weighted average cost of capital.

Other fees in relation to property management are recognised on a straight-line basis over the term of management contracts.

Hotel revenue comprised revenues from overnight hotel accommodation, banqueting facility hire and sales of food and beverages. All revenues are recognised when the service is provided. The hotel closed and ceased to trade on 3 August 2017.

Freehold property

Freehold property is stated at cost less accumulated depreciation and is depreciated at 2% per annum on a straight-line basis, pro-rated in the year of acquisition.

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)

Investment properties

Investment properties are those properties that are held either to earn rental income or for capital appreciation or both. Investment properties are measured and 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 in the income statement.

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.

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.

2. Earnings per share

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
(Loss)/profit for the financial period attributable to owners of the parent company	(472)	(224)	2,146
	No '000	No '000	No '000

Weighted average number of ordinary shares for the purposes of basic earnings per share	14,907	15,008	15,042
Effect of potential dilutive ordinary shares:			
Share options	11,727	12,020	12,149
Weighted average number of ordinary shares for the purposes of diluted earnings per share	26,634	27,028	27,191

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

No interim dividend has been declared or paid in respect of the six months ended 30 September 2018. In the six months ended 30 September 2017, the Company did not declare or pay an interim dividend. A final dividend in the year to 31 March 2018 of 1p per ordinary share was declared and paid on 28 September 2018. A final dividend in the year to 31 March 2017 of 1p per ordinary share was declared and paid on 29 September 2017.

4. Cash flows from operating activities

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
(Loss)/profit before tax	(472)	(224)	2,393
Depreciation of property, plant and equipment	36	40	79
Profit/(loss) on sale of property, plant and equipment	-	(12)	(18)
(Loss)/profit on sale of investment property	145	(73)	(74)
Loss/(gain) on revaluation of investment properties	-	-	(3,833)
Share of results of associate	(12)	-	(25)
Dividend from investment			(11)
Finance income	(6)	(3)	(148)
Unwinding of discount on deferred revenue	-	(290)	-
Finance costs	245	186	426
Changes in working capital			
Decrease/(increase) in trading properties	581	(3,942)	(5,415)
(Increase)/decrease in trade and other receivables	(685)	(30)	114
Increase/(decrease) in trade and other payables	234	(61)	238
	66	(4,409)	(6,274)

5. Investment properties

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
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Fair value

Start of the period	14,762	1,182	1,182
Transfer from current properties	9,910	-	9,747
Disposals	(1,455)	-	-
Increase in fair value during the period	-	-	3,833
End of period	<u>23,217</u>	<u>1,182</u>	<u>14,762</u>

The fair value of the investment properties at 30 September 2018 comprises freehold properties of £23,217,000 (30 September 2017: £457,000 and 31 March 2018: £13,832,000) and long leasehold properties of £nil (30 September 2017: £725,000 and 31 March 2018: £930,000).

The Group has pledged investment properties for resale with a total carrying value of £20,450,000 (30 September 2017: £1,175,000 and 31 March 2018: £14,762,000) to secure banking facilities granted to the Group.

6. Trading properties

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Properties for resale	4,404	13,290	5,018

The Group has pledged trading properties for resale with carrying value of £4,404,000 (30 September 2017: £13,290,000 and 31 March 2017: £5,012,000) to secure banking facilities granted to the Group.

7. Bank loans and overdrafts

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Due within one year	-	9,335	10,455
Unamortised borrowing costs	-	(10)	-
	<u>-</u>	<u>9,325</u>	<u>10,455</u>
Due in the second to fifth years	9,049	-	-
Unamortised borrowing costs	(139)	-	-
	<u>8,910</u>	<u>-</u>	<u>-</u>

All of the Group's bank loans and overdrafts disclosed above comprise borrowings in sterling. The facility is based on LIBOR plus a fixed margin.

The Group's £16,500,000 (2017: £12,500,000) revolving credit facility, which is secured on certain properties owned by the Group, was renewed in April 2018 under similar terms as the previous facility, and is due to expire in December 2020. The Group has operated within the covenants of the loan throughout the period.

8. Share capital

	Unaudited Six months ended 30 September 2018 £000	Unaudited Six months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
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Authorised:

45,750,000 ordinary shares of 5p each	2,288	2,288	2,288
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Allotted, called up and fully paid:

14,987,380 ordinary shares (30 September 2017: 14,987,380 31 March 2018: 14,987,380) of 5p each	745	749	745
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The Company bought back and cancelled no shares in the period (2017: 380,000 shares; year to 31 March 2018: 460,000 shares), at a total cost of £nil (2017: £216,000; year to 31 March 2018: £262,000), reducing the nominal value of shares by £nil (2017: 19,000; year to 31 March 2018: £23,000), which is reflected in these accounts as a capital redemption reserve. Following the period end, on 5 November 2018, the Company announced that on 2 November 2018 it had purchased 50,000 ordinary shares of 5p each at a price of 45p per share for cancellation; and on 9 November 2018 it announced that on the same day it had purchased 75,285 ordinary shares of 5p each at a price of 45p also for cancellation. These transactions have reduced the Company's issued share capital to 14,782,095 shares.

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