

Interim Results

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STRICTLY EMBARGOED UNTIL 7am: 27th November 2017

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

Interim Results
For the Six Months to 30 September 2017

Safeland (AIM: SAF), the property trading and investment company, announces its unaudited interim results for the six months ended 30 September 2017

Highlights

Turnover: £2.8m (2016: £1.9m)

Loss before tax: £0.2m (2016: loss £0.4m)

Net asset value per share: 129.3p (30 September 2016: 111.7p, 31 March 2017: 129.0p)

Managing Director's Statement

I am pleased to report the Group's unaudited interim results for the 6 months to 30 September 2017. These results reflect transactional volatility that shareholders will be aware of.

During the period, the Group sold its residual interest in a property in London N2 and purchased and sold a mixed-use property in London NW9. The disposals generated total revenues of £2.8m. Work also continues in redeveloping the former hotel in Muswell Hill into 18 apartments and in constructing 3 detached properties near our head office in London N2; both are proceeding according to plan and we expect completion on both projects during the first half of 2018.

Given the results for the 6 months ended 30 September 2017, the Directors do not propose the payment of an interim dividend (6 months ended 30 September 2016: nil; year ended 31 March 2017: 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.

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 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Revenue			
Continuing	2,846	1,621	12,695
Discontinued	-	277	277
	<hr/>	<hr/>	<hr/>
Cost of sales	2,846	1,898	12,972
	(2,580)	(1,462)	(10,157)
Gross profit	<hr/> 266	<hr/> 436	<hr/> 2,455
		(858)	
Administrative expenses	(700))	(1,721)
Gain on revaluation of investment properties	-	-	459
Share of results of associate	12	12	31
Dividend from investment	6	-	5
Profit on sale of investment property	73	-	694
Profit on sale of fixed assets	12	-	-
Operating (loss)/profit	<hr/> (331)	<hr/> (410)	<hr/> 1,923
Operating (loss)/profit - continuing	(331)	(456)	1,877
Operating profit - discontinued	-	46	46
	<hr/>	<hr/>	<hr/>
	(331)	(410)	1,923
Finance income	293	273	554
Finance costs	(186)	(240)	(448)
(Loss)/profit before tax	<hr/> (224)	<hr/> (377)	<hr/> 2,029
Tax	-	-	293
(Loss)/profit for the financial period attributable to owners of the parent company	<hr/> (224)	<hr/> (377)	<hr/> 2,322

Basic (loss)/earnings per share (note 2)	(1.49p)	(2.42p)	14.93p
Diluted (loss)/earnings per share (note 2)	(1.49p)	(2.42p)	11.69p
Earnings per share - discontinued activities	-	0.03p	0.03p

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.

Except as stated in the comparative numbers above in relation to discontinued activities relating to the closure of the former Raglan Hall Hotel, the revenue and operating result for the periods are derived from continuing operations in the United Kingdom.

Condensed consolidated statement of comprehensive income

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
(Loss)/profit for the period	(224)	(377)	2,322
Other comprehensive (loss)/income			
Fair value (losses)/gains on available for sale financial assets	30	(139)	(30)
Other comprehensive (loss)/income for the period, net of tax	30	(139)	(30)
Total comprehensive (loss)/income for the period attributable to owners of the parent company	(194)	(516)	2,292

Condensed consolidated statement of financial position

	Unaudited 30 September 2017 £000	Unaudited 30 September 2016 £000	Audited 31 March 2017 £000
Non-current assets			
Property plant and equipment	1,830	1,855	1,885
Investment properties (note 5)	1,182	1,123	1,182
Investments in associate	133	133	127
Available-for-sale investments	832	692	802
Trade and other receivables	-	8,777	-
	3,977	12,580	3,996
Current assets			
Trading properties (note 6)	13,290	14,464	9,348
Trade and other receivables	9,500	117	9,209
Cash and cash equivalents	2,157	1,540	5,280
	24,947	16,121	23,837
Total assets	28,924	28,701	27,833
Current liabilities			
Bank loans and overdrafts (note 7)	9,325	-	7,639
Trade and other payables	198	285	232
Corporation tax payable	-	1,450	-
	9,523	1,735	7,871
Non-current liabilities			

Bank loans (note 7)	-	9,664	-
Deferred income tax liabilities	32	72	32
	32	9,736	32
Total liabilities	9,555	11,471	7,903
Net assets	19,369	17,230	19,930
Equity			
Share capital (note 8)	749	778	768
Share-based payment reserve	354	354	354
Investment revaluation reserve	(52)	(191)	(82)
Capital redemption reserve	94	65	75
Retained earnings	18,224	16,224	18,815
Total equity attributable to owners of the parent company	19,369	17,230	19,930

Consolidated Statement of Changes in Equity

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 six months to 30 September 2016 (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 2016	778	65	354	(52)	16,601	17,746
Comprehensive income						
Profit for the period	-	-	-	-	(377)	(377)
Revaluation of available-for-sale investments	-	-	-	(139)	-	(139)
Total comprehensive income	-	-	-	(139)	(377)	(516)

Transactions with owners						
Purchase of own shares	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance at 30 September 2016	778	65	354	(191)	16,224	17,230

For the year ended 31 March 2017 (audited)

	Share Capital £000	Capital redemption reserve £000	Share-based payment reserve £000	Revaluation Reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2016	778	65	354	(52)	16,601	17,746
Comprehensive income						
Profit for the year	-	-	-	-	2,322	2,322
Revaluation of available-for-sale investments	-	-	-	(30)	-	(30)
Total comprehensive income	-	-	-	(30)	2,322	2,292
Transactions with owners						
Purchase of own shares	(10)	10	-	-	(108)	(108)
Dividend paid	-	-	-	-	-	-
Total transactions with owners	(10)	10	-	-	(108)	(108)
Balance at 31 March 2017	768	75	354	(82)	18,815	19,930

Condensed consolidated statement of cash flows

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Cash flows from operating activities			
Cash (utilised)/generated from operations (note 4)	(4,409)	76	6,523
Interest paid	(165)	(240)	(406)
Corporation tax paid	-	-	(1,464)
Net cash (utilised)/generated from operating activities	(4,574)	(164)	4,653
Cash flows from investing activities			
Interest received	3	-	1
Distributions from associate	-	-	25
Other dividends received	6	-	6
Purchase of property, plant and equipment	(52)	-	(143)
Proceeds from sale of investment properties	116	-	1,094
Proceeds from sale of property, plant and equipment	79	-	94
Net cash inflow/(outflow) from investing			

activities	152	-	1,077
Cash flows from financing activities			
New loans	1,665	-	2,001
Purchase of own share capital	(215)	-	(108)
Dividends paid to equity shareholders	(151)	-	-
Loan repayments	-	(1,284)	(5,331)
Net cash inflow from/(used in) financing activities	1,299	(1,284)	(3,438)
Net (decrease)/increase in cash and cash equivalents	(3,123)	(1,448)	2,292
Cash and cash equivalents at beginning of period	5,280	2,988	2,988
Cash and cash equivalents at end of period	2,157	1,540	5,280

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 2017 (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 2017. 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 2016.

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 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
(Loss)/profit for the financial period attributable to owners of the parent company	(224)	(377)	2,322
	No '000	No '000	No '000
Weighted average number of ordinary shares for			
the purposes of basic earnings per share	15,008	15,560	15,555
Effect of potential dilutive ordinary shares:			
		11,363	
Share options	12,020		12,043
Weighted average number of ordinary shares for the purposes of diluted earnings per share	27,028	26,923	27,598

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 in respect of the six months ended 30 September 2017. In the six months ended 30 September 2016, the Company did not pay an interim dividend. A final dividend in respect of the year to 31 March 2017 of 1p per ordinary share was paid on 29 September 2017.

4. Cash flows from operating activities

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
(Loss)/profit before tax	(224)	(377)	2,029
Depreciation of property, plant and equipment	40	71	80
Profit on sale of property, plant and equipment	(12)	-	(12)
Profit on sale of investment property	(73)	-	(694)
Gain on revaluation of investment properties	-	-	(459)
Share of results of associate	-	(12)	(31)
Share of results of jointly controlled entity	-	-	-
Finance income	(3)	-	(1)
Unwinding of discount on deferred revenue	(290)	(274)	(553)
Finance costs	186	240	448
Share-based payments (credit)/charge	-	-	-

Changes in working capital

(Increase)/decrease in trading properties	(3,942)	374	5,490
(Increase)/decrease in trade and other receivables	(30)	264	270
Decrease in trade and other payables	(61)	(210)	(44)
	<u>(4,409)</u>	<u>76</u>	<u>6,523</u>

5. Investment properties

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Fair value			
Start of the period	1,182	1,123	1,123
Disposals	-	-	(400)
Increase in fair value during the period	-	-	459
End of period	<u>1,182</u>	<u>1,123</u>	<u>1,182</u>

The fair value of the investment properties at 30 September 2017 comprises freehold properties of £457,000 (30 September 2016: £665,000 and 31 March 2017: £725,000) and long leasehold properties of £725,000 (30 September 2016: £458,000 and 31 March 2017: £457,000).

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 2017, 30 September 2016 or 31 March 2017.

The Group has pledged investment properties for resale with a total carrying value of £1,175,000 (30 September 2016: £703,000 and 31 March 2017: £1,182,000) to secure banking facilities granted to the Group.

6. Trading properties

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Properties for resale	<u>13,290</u>	<u>14,464</u>	<u>9,348</u>

The Group has pledged trading properties for resale with carrying value of £13,290,000 (30 September 2016: £14,464,000 and 31 March 2016: £9,113,000) to secure banking facilities granted to the Group.

7. Bank loans and overdrafts

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Due within one year	9,335	-	7,670

Unamortised borrowing costs	(10)	-	(31)
	<u>9,325</u>	<u>-</u>	<u>7,639</u>
Due in the second to fifth years	-	9,716	-
Unamortised borrowing costs	-	(52)	-
	<u>-</u>	<u>9,664</u>	<u>-</u>

There were no breaches in bank loan covenants at 30 September 2017. 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. A notional amount of £5,000,000 (2016: £5,000,000) has been capped at 3%.

The Group's £12,500,000 (2016: £12,500,000) revolving credit facility, which is secured on certain properties owned by it, is due to expire on 28 February 2018. The Group has entered into refinancing discussions with Lloyds Bank plc which has issued a signed Letter of Intent to renew the facility for a further five years under similar terms and conditions as exist currently.

8. Share capital

	Unaudited Six months ended 30 September 2017 £000	Unaudited Six months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
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Authorised:

45,750,000 ordinary shares of 5p each	<u>2,228</u>	<u>2,288</u>	<u>2,288</u>
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Allotted, called up and fully paid:

14,987,380 ordinary shares (30 September 2016: 15,560,380, 31 March 2017: 15,367,380) of 5p each	<u>749</u>	<u>778</u>	<u>768</u>
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During the period, the Company bought back and cancelled a total of 380,000 shares (year to 31 March 2017: 193,000 shares), in six tranches, at a total cost of £216,000 (year to 31 March 2017: £108,000), reducing the nominal value of shares by £19,000 (year to 31 March 2017: £10,000), which is reflected in these accounts as a capital redemption reserve. No shares were bought back by the Company and cancelled in the six months to 30 September 2016. The Directors considered that the acquisition and cancellation of shares during the 6 months ended 30 September 2017 would enhance the value of each of the Company's remaining shares in issue.

Following the period end, on 9 October 2017, the Company announced that on 6 October 2017 it had purchased 30,000 ordinary shares of 5p each at a price of 56p per share for cancellation, reducing its issued share capital to 14,957,380 shares.

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