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LEO INSURANCE SERVICES PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2007

CONTENTS

OFFICERS AND ADVISERS

DIRECTORS

Larry Glenn Lipman
Executive Chairman

Errol Alan Lipman
Executive Director

Paul Malcolm Davis
Finance Director

Edward George Young
Non-executive Director

SECRETARY

Paul Malcolm Davis

REGISTERED OFFICE

94-96 Great North Road
London N2 0NL

COMPANY REGISTRATION

No 053329~~00~~38

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

NOMINATED BROKER AND ADVISER

Teather & Greenwood Ltd
Beaufort House
15 St Botolph Street
London
EC3A 7QR

CHAIRMAN'S STATEMENT

This is the first opportunity I have had to write to shareholders with regard to a full year's trading of Leo Insurance Services Plc

In the year ended January 31 2007, the group made a small consolidated loss before exceptional administrative expenses of £5,077, (2006 £54,127)

The exceptional administrative expense of £169,912 (2006 £339,821) arose on adoption of the new accounting standard on share options The charge is in relation to the share options granted to the directors as detailed in the AIM admission document This is an exceptional charge and there is no impact on cash or distributable reserves

As shareholders should be aware, Leo's only investment at present is a 50% share of Grafton Insurance Services Ltd , a brokerage specialising in property insurance which itself has amongst its client portfolio two long term contracts, one with Safeland Plc and one with Bizspace Plc

Safeland announced in October 2006 the launch of a property fund with a geared value of £50m and made a further announcement in January 2007 regarding the possible extension of this fund by the raising of a minimum of a further £50m of equity Bizspace continues to expand its portfolio under the ownership of Highcross

I am therefore very pleased with both of these contracts and the future potential for growth

As I stated in the interim report, the board has been seeking potential acquisitions and this has continued for the remainder of the year but no deal has as yet been concluded

During the coming year I expect continued organic growth and whilst our search for the right acquisition continues I look forward to the future with confidence

LG Lipman
Chairman

1 August 2007

DIRECTORS' REPORT

The directors submit their report and the audited consolidated financial statements of Leo Insurance Services Plc for the year ended 31 January 2007

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the group during the year was the provision of insurance services

Details of the group's progress during the year and its future prospects are provided in the Chairman s Statement on page 1

Currently the group's key performance indicators relate to the performance of Grafton Insurance Services and the return provided to the group As the business expands, the directors expect to formalise key performance indicators to monitor the return provided to the group

Principal risks and uncertainties are set out on page 3

RESULTS AND DIVIDENDS

The results for the year are set out on page 8

The directors do not recommend the payment of a dividend

DIRECTORS

The following directors have held office since 1 February 2006

Larry Glenn Lipman
Errol Alan Lipman
Paul Malcolm Davis
Edward George Young

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows

	Ordinary shares of 1p each	
	31 01 2007	31 01 2006
Larry Glenn Lipman	22,004	22,004
Errol Alan Lipman	129,833	129,833
Paul Malcolm Davis	24,346	24,346
Edward George Young	-	-

Mr LG Lipman, Mr EA Lipman and Mr PM Davis each have share options over 911 458 ordinary shares Each option is exercisable at the par value of 1p per share, at any time after 18 months and before 10 years following the date of grant on 3 February 2005 No directors were either granted or exercised share options during the year

Mr LG Lipman and Mr EA Lipman have beneficial interests in the share capital of Safeland Holdings Corporation, a company incorporated in Panama Safeland Holdings Corporation owns 2,633,926 ordinary shares in the company, representing 36 5% of the shares in issue at 31 March 2007 Safeland Holdings Corporation also owns 10,544,643 ordinary shares in Safeland Plc representing 57% of that company's shares in issue at 31 March 2007 Safeland Plc owns 511,919 ordinary shares in the company representing 7 09% of the shares in issue at 31 March 2007

OTHER SUBSTANTIAL SHAREHOLDINGS

Apart from the shareholdings of the directors, the company has been notified at 1 August 2007 of the following shareholdings which constitute three percent or more of the total issued shares of the company

	Ordinary shares No	Share-holding %
Safeland Holdings Corporation	2,633,926	36 50
Eaglet Investment Trust plc	1,412,476	19 57
Safeland Plc	511,919	7 09
Peter O'Reilly	264,713	3 67

FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES

The group's financial instruments comprise cash at bank, redeemable preference shares and various items within debtors and creditors that arise directly from its operations The directors consider that the key financial risk is liquidity This is the risk of the company not being able to continue to operate as a going concern

As at 31 January 2007, the group had net assets The board has reviewed cash flow projections and associated headroom to ensure that adequate funds exist to enable the group to meet its liabilities as they fall due

Based on this review, the directors consider that the liquidity risk is currently at an acceptable level and will continue to review the group's financial risks at regular intervals

POLICY ON PAYMENT OF CREDITORS

Although the group does not follow a formal code, the policy is to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions There were no trade creditors at 31 January 2007 (2006 None)

AUDITORS

Deloitte & Touche LLP resigned as auditors during the period The directors appointed Baker Tilly UK Audit LLP in their place A resolution to appoint Baker Tilly UK Audit LLP, as auditors, will be put to the members at the forthcoming Annual General Meeting

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

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 80 of the Companies Act 1985 as amended (the "Act") to allot up to 2,405,318 ordinary shares of 1p each, representing approximately one third of the issued share capital of the company The company does not currently have any treasury shares in issue There are currently no shares reserved for issue under the company's share option scheme Other than in relation to the company's share option scheme, the directors have no present intention of exercising this authority This authority will, unless renewed, expire at the conclusion of the next annual general meeting of the company or, if earlier, the date fifteen months from the passing of the resolution

DIRECTORS' REPORT CONTINUED

Resolution 6 – Disapplication of statutory pre-emption rights
This resolution, if passed, will disapply section 89(1) of the Act allowing the company to allot equity securities for cash, other than to existing shareholders in proportion to their shareholdings, up to an aggregate nominal amount of £3,607 98 being equal to 5 per cent of the issued ordinary share capital of the company This authority will, unless renewed, expire at the conclusion of the next annual general meeting of the company or, if earlier, the date fifteen months from the passing of the resolution

Since December 2003 the Act allows shares purchased by the company to be held 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 then apply also to a sale of treasury shares However, the Directors have no present intention of holding shares in treasury pursuant to the Act

Resolution 7 – Purchase of own shares
This resolution, if passed, will give the directors authority under section 166 of the Act to make market purchases (as defined in section 163(3) of the Act) of ordinary shares, subject to certain stipulations, up to a maximum number of 1,082,393 ordinary shares representing approximately 15 per cent of the company's issued share capital This authority will, unless renewed, expire at the conclusion of the next annual general meeting of the company or, if earlier, the date fifteen months from the passing of the resolution It is envisaged that renewal of this authority would be sought at subsequent annual general meetings The minimum price payable on any exercise of such authority will be 1p per ordinary share, being the nominal value of ordinary shares, and the maximum price will be 5 per cent above the average middle market quotations of ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding any purchase, in both cases exclusive of expenses payable by the company

The authority sought to make market purchases of its own ordinary shares is intended to apply equally to shares to be held by the company as treasury shares in accordance with the Act However, as mentioned above, the directors have no present intention of holding shares in treasury pursuant to the 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

Approved by the board of directors on 1 August 2007 and signed on behalf of the board

PM Davis
Secretary

1 August 2007

CORPORATE GOVERNANCE

The Board of Leo Insurance Services Plc appreciate the value of good corporate governance and intend to comply with the requirements of the "Combined Code" on corporate governance, as far as applicable to the group given its current size and stage of development

BOARD STRUCTURE

The board consists of four directors of which three are executive and one non-executive The non-executive director is considered to be independent of management and free of any relationship that could interfere with the exercise of his independent judgement

The board will meet as and when required and is satisfied that it is provided with information in an appropriate form and quality to enable it to discharge its duties All directors are required to retire by rotation with one half of the board seeking re-election each year

Due to the current size of the group, the duties that would normally be attributed to an Audit, Remuneration or Nomination Committee, have been undertaken by the board as a whole

The board has undertaken a formal assessment of the auditors' independence and will continue to do so at least annually This assessment includes

- a review of non-audit services provided to the company and the related fees,
- a review of the auditors' own procedures for ensuring the independence of the audit firm and parties and staff involved in the audit, including regular rotation of the audit partner, and
- obtaining confirmation from the auditors that, in their professional judgement, they are independent

INTERNAL CONTROLS

The board is responsible for the Group's system of internal controls and for reviewing their effectiveness The internal controls are designed to ensure the reliability of financial information for both internal and external purposes The directors are satisfied that the current controls are effective with regard to the size of the group Any internal control system can only provide reasonable but not absolute assurance against material mis-statement or loss

Given the size of the group, there is currently no need for an internal audit function

GOING CONCERN

The directors have satisfied themselves that the Company and Group have adequate resources to continue in operational existence for the foreseeable future and for this reason, the financial statements continue to be prepared on the going concern basis

By order of the board

PM Davis
Secretary

1 August 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period In preparing those financial statements, the directors are required to

a select suitable accounting policies and then apply them consistently,

b make judgements and estimates that are reasonable and prudent,

c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985 They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEO INSURANCE SERVICES PLC

We have audited the financial statements on pages 8 to 23

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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 auditors' 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 AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referenced from the Business Review section of the Directors' Report

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises only the Chairman's Statement, the Directors' Report and the Corporate Governance Statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 January 2007 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

1 August 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 January 2007

			2007		2006 Restated
	Notes	£	£	£	£
TURNOVER Group and share of joint venture's			308,517		-
Less Share of joint venture's turnover	19		(308,517)		-
GROUP TURNOVER			-		-
Administrative Expenses					
– Exceptional	13	169,912		339,821	
– Other		67,773		54,766	
			(237,685)		(394,587)
GROUP OPERATING LOSS			(237,685)		(394,587)
Share of operating profit from joint venture	19		76,866		-
TOTAL OPERATING LOSS			(160,819)		(394,587)
Interest receivable and similar income	1		5,648		639
Interest payable and similar charges	2		(4,167)		-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(159,338)		(393,948)
Taxation	5		(15,651)		-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	7, 15		(174,989)		(393,948)
LOSS PER ORDINARY SHARE					
Basic and diluted	6		(2 44p)		(7 06p)

Operating loss for the year arises from the group's continuing operations

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 January 2007

	Notes	2007 £	2006 Restated £
Loss for the year		(174,989)	(393,948)
Total recognised gains and losses relating to the financial year		(174,989)	(393,948)
Prior year adjustment	13	(339,821)	
Total gains and losses recognised since the last financial statements		(514,810)	

CONSOLIDATED BALANCE SHEET

31 January 2007

	Notes	2007 £	2006 Restated £
FIXED ASSETS			
Investment in Joint Venture			
- Share of gross assets	19	393,088	50
- Share of gross liabilities	19	(327,568)	-
		65,520	50
CURRENT ASSETS			
Debtors	9	16,111	1,264
Cash at bank and in hand		18,476	107,721
		34,587	108,985
CREDITORS Amounts falling due within one year	10	(81,390)	(21,777)
NET CURRENT (LIABILITIES) / ASSETS		(46,803)	87,208
TOTAL ASSETS LESS CURRENT LIABILITIES		18,717	87,258
CREDITORS Amounts falling due after more than one year	11	-	(65,000)
NET ASSETS		18,717	22,258
CAPITAL AND RESERVES			
Called up share capital	12	72,160	70,624
Share premium account	14	5,761	5,761
Profit and loss account	15	(59,204)	(54,127)
EQUITY SHAREHOLDERS' FUNDS	16	18,717	22,258

These financial statements were approved by the board of directors and authorised for issue on 1 August 2007 and are signed on its behalf by

PM Davis
Director

COMPANY BALANCE SHEET

31 January 2007

	Notes	2007 £	2006 Restated £
FIXED ASSETS			
Investments	8	51	50
CURRENT ASSETS			
Debtors	9	16,110	1,314
Cash at bank and in hand		18,476	107,721
		34,586	109,035
CREDITORS Amounts falling due within one year	10	(81,390)	(21,827)
NET CURRENT (LIABILITIES) / ASSETS		(46,804)	87,208
TOTAL ASSETS LESS CURRENT LIABILITIES		(46,753)	87,258
CREDITORS Amounts falling due after more than one year	11	-	(65,000)
NET (LIABILITIES) / ASSETS		(46 753)	22,258
CAPITAL AND RESERVES			
Called up share capital	12	72,160	70,624
Share premium account	14	5,761	5,761
Profit and loss account	15	(124,674)	(54,127)
EQUITY SHAREHOLDERS' FUNDS	16	(46,753)	22,258

These financial statements were approved by the board of directors and authorised for issue on 1 August 2007 and are signed on its behalf by

PM Davis
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 January 2007

	Notes	2007 £	2006 £
Cash flow from operating activities	17a	(92,174)	(29,253)
Returns on investments and servicing of finance	17b	1,393	639
Acquisitions	17b	-	(50)
Taxation		-	-
CASH (OUTFLOW) BEFORE FINANCING		(90,781)	(28,664)
Financing	17b	1,536	136,385
(DECREASE)/INCREASE IN CASH IN THE YEAR		(89,245)	107,721

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	2007 £	2006 £
(Decrease)/increase in cash in the year		(89,245)	107,721
NET FUNDS AT 1 FEBRUARY 2006		107,721	-
NET FUNDS AT 31 JANUARY 2007	17c	18,476	107,721

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

GOING CONCERN

As at 31 January 2007, the group had net current liabilities of £46,803 Included in creditors falling due within one year are redeemable preference shares of £65,000 due to Safeland plc, a related party, which falls due for redemption in January 2008 Subsequent to 31 January 2007, the directors have received an undertaking from Safeland plc that these preference shares will only be redeemable if there are adequate cash resources within the group to enable the group to meet its liabilities as they fall due for the foreseeable future On the basis of this commitment, and after considering the group's cashflow requirements for a period of twelve months from the date of approval of the financial statements the directors have prepared these financial statements on the going concern basis

CHANGE IN ACCOUNTING POLICY

The company has adopted Financial Reporting Standard No 20 "Share Based Payment" which is mandatory for accounting periods commencing on or after 1 January 2006 and in accordance with this standard, the comparative numbers have been restated The impact of this new accounting standard is explained in note 13

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of Leo Insurance Services Plc, its subsidiary undertaking and the group's share of profits and losses and net assets of its joint venture made up to 31 January each year

JOINT VENTURES

Joint ventures are accounted for in the consolidated financial statements using the gross equity method The consolidated profit and loss account includes the group's share of operating profit interest and taxation The consolidated balance sheet includes the group's share of gross assets and gross liabilities within fixed asset investments

INVESTMENTS

Fixed asset investments are stated at cost less provision for any impairment in value

DEFERRED TAXATION

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 group'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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

ACCOUNTING POLICIES CONTINUED

TURNOVER
Turnover arising in the group's joint venture represents fees receivable in respect of insurance services

SHARE OPTIONS
The company has applied the requirements of FRS20 Share-based payment which requires the fair value of share based payments to be recognised as an expense This standard has been applied to share options The fair value of the options granted is measured on the date at which they are granted by using the Black-Scholes model, and is expensed to the profit and loss over the appropriate vesting period

COMPARATIVE PERIOD
The comparative accounting period is from incorporation on 14 January 2005 to 31 January 2006

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 January 2007

1 INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £	2006 £
Bank interest receivable (group)	1,393	639
Share of joint venture's interest receivable	4,255	-
	5,648	639

2 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Preference share dividend payable (group)	4,167	-

3 AUDITOR'S REMUNERATION

Amounts payable to Baker Tilly UK Audit LLP and its related entities in respect of the year ended 31 January 2007 for both audit and non-audit services are disclosed in the table below (2006 Deloitte & Touche LLP) The non-audit fees for the year ended 31 January 2007 were paid to the partnership known as Baker Tilly

	2007 £	2006 £
Fees payable to the auditor and its related entities for the audit of the company's annual accounts	7,500	10,000
Fees payable to the auditor and its related entities for other services		
Taxation services	750	-
Other services	1,250	-
	9,500	10,000

4 EMPLOYEES AND DIRECTORS' REMUNERATION

There were no employees during the year other than the directors None of the directors received any remuneration during the year except for E Young who received fees of £5,000 (2006 £3,750) As disclosed in note 13, there was a share option charge for the year of £169,912 (2006 £339,821)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 January 2007

5 TAXATION

	2007 £	2006 £
Current tax		
UK corporation tax (group)	-	-
Share of joint venture's corporation tax	15,651	-
	15,651	-
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	15,651	-

	2007 £	2006 Restated £
Factors affecting tax charge for the period		
The tax assessed for the period is higher than the standard rate of corporation tax of (30%) as explained below		
Loss on ordinary activities before tax	(159,338)	(393,948)
Loss on ordinary activities multiplied by the standard rate of corporation tax (30%)	(47,801)	(118,184)
Effects of		
Exceptional share option charge	50,974	101,946
Expenses not deductible for tax purposes	1,662	5,373
Tax losses carried forward	19,877	10,865
Benefits of small companies tax rate	(9,061)	-
Current tax charge for the period	15,651	-

Factors that may affect future tax charges

At 31 January 2007, the group had tax losses of £86,525 (2006 £36,217) available to carry forward to future periods A deferred tax asset of £25,958, (2006 £10,865) has not been recognised in the financial statements in respect of these losses due to the uncertainty as to the timing of future taxable profits A deferred tax asset has also not been recognised in the financial statements in respect of the share option charge due to the uncertainty as to whether the share options will be exercised

6 LOSS PER ORDINARY SHARE

	2007 £	2006 Restated £
The calculation of loss per ordinary share are based on the following losses and number of shares		
Loss for the year	(174,989)	(393,948)
Weighted average number of shares for basic and diluted loss per share	7,177,247	5,579,152

As there is a loss for the year, there is no dilutive effect of the share options and therefore no difference between the basic and diluted loss per share

7 GROUP LOSS FOR THE YEAR

	2007 £	2006 Restated £
Dealt with in the parent company	(240,459)	(393,948)
Retained by the joint venture undertaking	65,470	-
	(174,989)	(393,948)

As permitted by s 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 January 2007

8 FIXED ASSET INVESTMENTS

Company	Subsidiary undertaking £	Joint Venture £	Total £
At 1 February 2006	-	50	50
Additions	1	-	1
At 31 January 2007	1	50	51

The company owns more than 20% of the following undertakings

	Class of share held	% shareholding	Principal activity
Subsidiary undertaking			
Equalgold Limited	Ordinary	100	Dormant
Joint Venture			
Grafton Insurance Services Limited	Ordinary B shares	50	Provision of Insurance services

Further details regarding the joint venture can be found in note 19 of these financial statements

9 DEBTORS

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Due within one year				
Prepayments and accrued income	16,111	1,264	16,110	1,314

10 CREDITORS Amounts falling due within one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Redeemable preference shares (note 11)	65,000	-	65,000	-
Accruals and deferred income	16,390	21,777	16,390	21,827
	81,390	21,777	81,390	21,827

11 CREDITORS Amounts falling due after more than one year

Group and company	2007 £	2006 £
Redeemable preference shares	-	65,000

The 65,000 £1 redeemable preference shares provide for a fixed cumulative dividend at a rate of 6% per annum which accrued on a daily basis The preference shares can be redeemed by the company at any time on seven days written notice The preference shares can be redeemed by the holder if the dividend is in arrears for at least 12 months or, in any event the shares are redeemable in January 2008 If the preference shares are not redeemed by the appropriate date, the dividend rate will increase to 9% per annum The preference shares do not confer a right to attend, speak or vote at any general meeting of the company In accordance with Financial Reporting Standard No 25, these redeemable preference shares are included within creditors

12 SHARE CAPITAL

Group and company	2007 £	2006 £
Authorised:		
20,000 000 ordinary shares of 1p each	200,000	200,000
65,000 preference shares of £1 each	65,000	65,000
	265,000	265,000
Allotted, issued and fully paid		
7,215,956 (2006 7,062,381) ordinary shares of 1p each	72,160	70,624

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 January 2007

12 SHARE CAPITAL continued

Share Issue

On 4 May 2006, following the exercise of a share option, the company issued 153,575 1p ordinary shares for £1,536 cash consideration

Share options

On 3 February 2005 L Lipman, E Lipman and P Davis were each granted options over 911,458 ordinary shares Each option is exercisable at the par value of 1p per share, at any time after 18 months and before 10 years following the date of grant

The company has also granted options to subscribe for ordinary shares in the company equivalent to 1% of the issued share capital on completion of an acquisition which exceeds 75% in any class test within the AIM rules These options are only exercisable during the period from date of acquisition to the period ending 18 months after that date at a price equivalent to the issue price in connection with the acquisition

As at 31 January 2007, the Company had 2,734,374 (2006 2,887,949) outstanding unexpired options that are exercisable at 1p per ordinary share As disclosed above, 153,575 (2006 nil) options were exercised in the year

13 SHARE BASED PAYMENT

The company has adopted Financial Reporting Standard No 20 "Share Based Payment" which is mandatory for accounting periods commencing on or after 1 January 2006 and in accordance with this standard, the comparative numbers have been restated accordingly

The share based payment charge has been calculated using the Black-Scholes model to calculate the fair value of the share options The inputs into the Black-Scholes model are as follows,

	2007	2006
Weighted average share price	19p	19p
Weighted average exercise price	1p	1p
Expected volatility	16 6%	16 6%
Expected life	10 years	10 years
Risk free rate	6%	6%
Expected dividends	0%	0%

The expected volatility percentage was calculated by reference to the share price of the company since admission to AIM

This share option charge is included in the profit and loss account as an exceptional administrative expense over the 18 month vesting period from 5 February 2005 to 5 August 2006 The exceptional charge for the year was £169,912 (2006 £339,821)

14 SHARE PREMIUM ACCOUNT

Group and company	2007 £	2006 £
1 February 2006	5,761	-
Premium on shares issued in the period	-	187,615
Expenses in connection with shares issued	-	(181,854)
31 January 2007	5,761	5,761

15 PROFIT AND LOSS ACCOUNT

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
1 February 2006	(54,127)	-	(54,127)	-
Loss for the year	(174,989)	(393,948)	(240,459)	(393,948)
Share option charge	169,912	339,821	169,912	339,821
31 January 2007	(59,204)	(54,127)	(124,674)	(54,127)

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Shares issued in the year (net of expenses)	1,536	76,385	1,536	76,385
Share option charge	169,912	339,821	169,912	339,821
Loss for the year	(174,989)	(393,948)	(240,459)	(393,948)
Net (reduction in) / addition to equity shareholders' funds	(3,541)	22,258	(69,011)	22,258
Opening equity shareholders' funds	22,258	-	22,258	-
Closing equity shareholders' funds	18,717	22,258	(46,753)	22,258

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 January 2007

17 CASH FLOWS

a Reconciliation of operating loss to net cash flow from operating activities	**2007 £**	**2006 £**
Operating loss	(237,685)	(394,587)
(Increase) in debtors	(14,797)	(1,314)
(Decrease) / Increase in creditors	(9,604)	21,827
Share option charge	169,912	339,821
Shares issued to settle expenses	-	5,000
Net cash flow from operating activities	(92,174)	(29,253)

b Analysis of cash flows for headings netted in the cash flow statement	**2007 £**	**2006 £**
Returns on investments and servicing of finance		
Interest received	1,393	639
Net cash inflow for returns on investment and servicing of finance	1,393	639
Acquisitions		
Purchase of interest in joint venture	-	(50)
Net cash outflow from acquisitions	-	(50)
Financing		
Issue of ordinary share capital (net of expenses)	1,536	71,385
Issue of preference share capital	-	65,000
Net cash inflow from financing	1,536	136,385

c Analysis of net funds	**At 1 February 2006 £**	**Cash flows £**	**At 31 January 2007 £**
Cash at bank and in hand	107,721	(89,245)	18,476

18 FINANCIAL INSTRUMENTS

The group's financial instruments during the year comprised cash, preference share capital and various items such as trade creditors that arose directly from its operations Trade creditors and other short term items arising directly from operations have been excluded from the following disclosures

At 31 January 2007, the group had a cash balance of £18,476, (2006 £107,721) which was held on bank deposit earning interest at variable market rates

Details of the company's preference share capital are disclosed in note 11

There is no material difference between the fair value and the book value of the company's financial instruments and they are all denominated in sterling

The company has not traded in any financial instruments during the year and the board does not currently believe there are any material risks arising from its financial instruments

19 INVESTMENT IN JOINT VENTURE

On 5 January 2006, the company acquired 50 £1 "B" ordinary shares in Grafton Insurance Services Limited at par The company owns 100% of the "B" ordinary shares which represent 50% of the issued ordinary shares

The principal activity of Grafton Insurance Services Limited is to trade as a property insurance broker The group's share of the joint venture's results and net assets are set out below

	2007 £	2006 £
Turnover	308,517	-
Operating profit	76,866	-
Interest receivable	4,255	-
Profit before tax	81,121	-
Taxation	(15,651)	-
Profit after tax	65,470	-
Current Assets	393,088	50
Current Liabilities	(327,568)	-
Net assets	65,520	50

20 RELATED PARTY TRANSACTIONS

The redeemable preference shares of £65,000 and the accrued and unpaid preference share dividend of £4,167 are payable to Safeland plc Details of the rights of these shares are disclosed in note 11

LG Lipman EA Lipman and PM Davis are directors of both companies and Safeland plc owns 7 09% of the issued share capital of this company

NOTICE OF ANNUAL GENERAL MEETING

for the year ended 31 January 2007

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 94-96 Great North Road, London N2 0NL on 19 September 2007 at 10 00 am for the following purposes

As ordinary business

1 To receive the report of the directors and financial statements for the financial year ended 31 January 2007

2 To re-elect Errol Alan Lipman as a director of the Company

3 To re-elect Edward Young as a director of the Company

4 To elect Baker Tilly UK Audit LLP auditors of the Company and to authorise the directors to determine their remuneration

As special business to consider and, if thought fit, to pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions

5 THAT the directors of the Company be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (as amended) (the "Act") to allot any relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal value of £24,053 18 provided that

5 1 this authority shall expire on the earlier of (i) the date falling 15 months after the date on which this resolution is passed and (ii) the conclusion of the next annual general meeting of the Company after the passing of this resolution unless previously varied, revoked, or renewed by the Company in general meeting,

5 2 the Company shall be entitled to make prior to the expiry of such authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired, and

5 3 all prior authorities to allot relevant securities be revoked but without prejudice to the allotment of any relevant securities already made pursuant to such authorities

6 THAT

6 1 the directors of the Company be granted power pursuant to section 95 of the Companies Act 1985 (as amended) (the "Act") to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on them by resolution 5 as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to

6 1 1 the allotment of equity securities in connection with a rights issue, subject to such exceptions, exclusions or other arrangements as the director may deem necessary or expedient to deal with fractional entitlements or 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 for the purposes of this resolution "rights issue" or any other pre-emptive issue means an offer of equity securities to holders of ordinary shares in the Company in proportion to their respective holdings (as nearly as may be), and

6 1 2 the allotment (otherwise than pursuant to paragraph 6 1 1 above) of equity securities up to an aggregate nominal value of £3,607 98

and shall expire on the earlier of (i) the date falling 15 months after the date on which this resolution is passed and (ii) the conclusion of the next annual general meeting of the Company unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may before such expiry make any 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

7 THAT the Company be authorised pursuant to section 166 of the Companies Act 1985 (as amended) (the "Act") to make market purchases (as defined in section 163 of the Act) of any ordinary shares of 1p each in the Company ("Ordinary Shares") in such manner and on such terms as the directors may from time to time determine provide that

7.1 the maximum number of Ordinary Shares authorised to be purchased is 1,082,393,

7.2 the maximum price (exclusive of expenses payable by the Company) which may be paid for each Ordinary Share is an amount equal to 105 percent of the average of the middle market quotations for the Ordinary Shares derived from the London Stock Exchange Daily Official List for each of the five business days immediately preceding the day on which the shares are contracted to be purchased and the minimum price (exclusive of expenses payable by the Company) is 1p,

7.3 the authority hereby conferred shall, unless previously varied, revoked or renewed, expire at the conclusion of the next annual general meeting of the Company or at the date fifteen months from the date of passing this resolution, whichever shall be the earlier, and

7.4 the Company shall be entitled under such authority to make at any time before its expiry or termination any contract to purchase its own shares which will or might be concluded wholly or partly after the expiry or termination of such authority and may purchase its own shares pursuant to such contract

By order of the Board

PAUL MALCOLM DAVIS
Company Secretary
1 August 2007

Registered Office
94-96 Great North Road
London N2 0NL

NOTICE OF ANNUAL GENERAL MEETING

for the year ended 31 January 2007

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 Leo Insurance Services plc, 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 Explanatory statements relating to the special business of the Annual General Meeting are contained in the directors' report under the heading "Business at the Annual General Meeting" on pages 3 and 4

4 Only the holders of ordinary shares in the Company are entitled to attend the meeting and vote A member entitled to attend and vote may appoint a proxy or proxies to attend and on a poll to vote on his behalf A proxy need not be a member of the company

5 A form of proxy is provided To be effective, a form of proxy must be completed, signed and lodged at Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time of the meeting Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person

6 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 to be entitled to attend and vote at the Annual General Meeting (and for the purposes of the determination by the Company of the number of votes they may cast) members must be entered on the Company's Register of Members by 10 00 am on 17 September 2007

7 Copies of the following documents will be available for inspection at the Company's registered office during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting

a) the register of directors interests in the shares of the Company kept in accordance with section 325 of the Companies Act 1985, and

b) copies of all service agreements under which directors of the Company are employed by the company or any subsidiaries

FORM OF PROXY

Leo Insurance Services plc

I/We ____

(Name in full in block capitals please)

of ____

being a member/members of Leo Professional Services plc hereby appoint the chairman of the meeting or (see note 1 below) ______________________ as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held at 10 00 am on 19 September 2007 at 94-96 Great North Road, London N2 0NL and at any adjournment thereof, on the following resolutions, as indicated by an 'X' in the appropriate box and, on any other business, as he thinks fit

Resolution	For	Against
1 To receive the report of the directors and financial statements for the year ended 31 January 2007	☐	☐
2 To re-elect Errol Alan Lipman as a director of the Company	☐	☐
3 To re-elect Edward Young as a director of the Company	☐	☐
4 To elect Baker Tilly UK Audit LLP auditors of the Company and to authorise the directors to fix their remuneration	☐	☐
5 To authorise the directors to allot shares pursuant to section 80 of the Companies Act 1985	☐	☐
6 To disapply section 89(1) of the Companies Act 1985	☐	☐
7 To authorise the Company to purchase its own shares	☐	☐

Dated 2007 **Signature**

Notes

1 If it is desired to appoint another person or persons as proxy or proxies the words "the chairman of the meeting should be deleted and the name or names of the proxy or proxies (who need not be members of the Company) inserted into the appropriate space If such words are not deleted and a proxy or proxies is/are named on this form the chairman shall not be authorised to vote as proxy Any alteration must be initialled If more than one person is appointed to act as proxy the number of shares in respect of which each such proxy is to vote must be specified In the absence of any specific direction a proxy shall be deemed to be entitled to vote in respect of all the shares in the relevant holding

2 Please indicate with an 'X' how you wish to vote Unless otherwise instructed the proxy will vote or abstain from voting as he thinks fit

3 To be valid this form, together with the power of attorney or other written authority if any under which it is signed or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power or written authority must be lodged at the address given in note 6 below not less than 48 hours before the time of the meeting

4 A corporation must execute this form either under its common seal or under the hand of two directors or one director and the secretary or under the hand of an officer or attorney duly authorised in writing

5 In the case of joint holders the signature of any one holder will be sufficient but the names of all the joint holders should be stated and the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders For this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding

6 A form of proxy is provided To be effective a form of proxy must be completed signed and lodged at Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU not later than 48 hours before the time of the meeting

7 Deposit of a completed form of proxy will not preclude a member from attending the annual general meeting and voting in person

Tape here

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BUSINESS REPLY SERVICE
Licence No MB122

1

Capita Registrars Proxy Dept
PO Box 25
34 Beckenham Road
Beckenham
Kent
BR3 4BR

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