

**Company registration number: 00190106**

# **C.H. Bailey plc**

**Annual Report & Accounts for the year ended**

**31 March 2017**

**Group Financial Summary**

<b>Summary of group results</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Revenue from continuing operations	6,126	5,105	4,927	4,381
Gross profit from continuing operations	1,763	1,529	1,162	1,196
Gross profit margin	28.78%	29.95%	23.60%	27.30%
Operating profit/(loss) from continuing operations, before exceptional items, investment activities and depreciation	898	730	(75)	13
Profit on sale of property	-	-	8,161	-
Profit/(loss) before tax and minority interests	408	(399)	6,877	(1,408)
Profit/(loss) from continuing operations after tax	341	(426)	5,838	(1,410)
Earnings/(loss) per share from continuing operations	4.47p	(5.60p)	76.74p	(18.41p)
Earnings/(loss) per share from total operations	4.47p	(5.60p)	76.74p	(18.41p)

**Overview**

Group Financial Summary	<b>1</b>
Chairman's Statement	<b>2</b>
Strategic Report	<b>4</b>
<b>Governance</b>	
Directors and Officers	<b>38</b>
Professional Advisors	<b>38</b>
Directors' Report	<b>7</b>
Statement of Corporate Governance	<b>9</b>
Statement of Directors' Responsibilities	<b>12</b>
Notice of Annual General Meeting	<b>39</b>

**Financial Information**

Independent Auditor's Report	<b>13</b>
Consolidated Income Statement	<b>15</b>
Statement of Comprehensive Total Income	<b>16</b>
Balance Sheets	<b>17</b>
Consolidated Cash Flow Statement	<b>18</b>
Consolidated Statement of Changes in Equity	<b>19</b>
Notes to the Accounts	<b>20</b>
Shareholder information	<b>38</b>

## Chairman's Statement

Your group has had a positive year, with all aspects of the business showing improvement over 2016. We have benefited from additional serviced rental income following the completion of Phase III of the development in Dar es Salaam, have made significant progress with our development properties in Malta, the African hospitality business has had a better year and our UK engineering business has continued its turnaround.

After the purchase last year of The Galenia Estate/Little Bean Farm in South Africa, we have been exploring other development opportunities in the Western Cape area. During the year, we had an offer accepted on a property in Cape Town, but were immediately able to re-sell the right to buy at a profit. In February 2017 we conditionally exchanged contracts on a residential property in Cape Town, which we believe has significant development potential, and completed the purchase in May for some £599k.

### Results

Your Group in the year under review made a profit after tax of £0.3m (2016: loss £0.4m). Underlying trading has continued to improve with an operating profit of £853k (2016: profit £33k).

Overall Group revenues were up by 20% to £6.1m. Underlying trading continued to improve with EBITDA up from £0.9m last time to £1.9m this year and operating profit of £0.9m, up from £33k in 2016. Cash of £0.6m was generated from operations compared with £0.3 absorbed from operations in 2016.

### Africa

Revenue in Africa from our serviced units and hospitality increased by £0.8m to £4.5m (23%). The Oyster Bay Suites increased their revenue from £224k in their first year of operation to £315k this year, while the serviced offices at Oyster Bay, our most significant asset, increased turnover by £608k to £3.3m (22%). The challenge will be to sustain the performance in Tanzania as commercial rents are coming under serious pressure due to a decline in demand and an oversupply in the market of commercial properties.

Hospitality revenues in Tanzania showed a marginal improvement, with revenues up from £635k to £673k and our new hospitality unit in South Africa achieved revenues of £195k in its first year under our ownership.

The sale of Mikumi Camp has been finalised with the purchaser paying a monthly amount totalling £65k over a 4 year period. We retain the operating licence and will not transfer this until the full amount has been paid and so we continue to show the asset as held for sale.

The opportunity to develop the Galenia Estate/Little Bean Farm properties in South Africa remains, but it may take longer to obtain permissions for development than we had first hoped. However, we believe that the residential property at Glendale Terrace in Cape Town, which we bought since the year end, has the potential to achieve a development profit within a two year time frame. The buoyancy of the Cape Town market was demonstrated during the year, when we had an offer accepted to buy one development property, but were immediately able to sell on the right to buy for a profit of £48k.

We continue to monitor this market for interesting opportunities to achieve value growth.

### Malta

Having completed the development of 123 St Lucia Street, we are now in the process of marketing, both this and the previously developed St Barbara Bastians property, as well as the Charles Street property with its exiting planning permission.

The level of interest in these properties suggests Malta could become a profit centre for the Group during the year to 31 March 2018. We continue to see further development opportunities in the Valletta area and will assess their potential on a case by case basis if we are able to complete transactions for the existing developments.

**Engineering**

Bailey Industrial Engineering Limited (BIE) has exceeded our expectations during the period, in what had seemed a difficult market, and continued its turnaround story. Revenue has increased by 12% to £1.6m, generating EBITDA of £229k against £40k last year and an operating profit of £153k (2016 – loss £37k). Orders have continued to be robust from most of our key customers to date and we are encouraged by the progress of this business.

**Outlook**

We operate in very different markets across the group which react in different ways to macro-economic and local developments. The rental market in Tanzania is currently proving difficult and will require careful handling. Our approach to property development is to identify opportunities which can grow in value, regardless of local economic conditions, and we shall continue to follow this approach. We remain cautiously confident of the continued success of our engineering business.

**Dividend**

The Board has concluded that, although a profit has been achieved in the current year, it is too early to determine that this can be consistently achieved, given the volatility of the various markets in which the Group operates. Therefore, the Board does not recommend the payment of a dividend for the year (2016: £Nil).

**People**

We have had a consistent Board during the period and I would like to take this opportunity to thank them and all our employees for their hard work and dedication during the year. Ultimately, this is a service business and it relies on our people to keep our customers and tenants happy.

David Wilkinson  
Chairman  
2 August 2017

## Strategic Report

### Principal objectives and strategy

Your Company's principal objective is to achieve profitability from the existing asset base to allow further investment when opportunities arise and provide a return on investment to shareholders or increase the value of the investment to shareholders. The Board intends to do this through growth, by purchasing, developing, operating and trading in property in the existing geographical areas in which we operate or new areas where we have knowledge and with which we have associations. It is envisaged that such properties will be specifically targeted for their development and operating opportunities in the hospitality, leisure, residential, retail and commercial sectors. Our existing properties in Malta, Tanzania and South Africa all have the potential for significant increases in value.

### Key performance indicators

	Revenue continuing operations	Operating profit (loss) continuing operations	EBITDA	Total bank borrowing	Net assets
	£	£	£	£	£
<b>Classes of business</b>					
Engineering:					
2017	1,597,994	153,517	229,101	(240,346)	332,221
2016	1,425,101	(36,813)	40,099	(325,773)	183,086
Tourism and serviced units - Africa and United Kingdom agent:					
2017	4,526,769	687,217	1,640,644	(4,739,405)	6,770,202
2016	3,680,110	642,507	1,460,816	(4,891,130)	5,219,364
Investment and development property - Malta:					
2017	1,282	40,311	75,045	(728,454)	4,087,975
2016	-	126,137	143,842	-	3,799,978
Management:					
2017	-	(28,067)	(28,067)	(305,841)	2,167,055
2016	-	(698,371)	(698,231)	(245,901)	2,858,095
<b>Total:</b>					
<b>2017</b>	<b>6,126,045</b>	<b>852,978</b>	<b>1,916,723</b>	<b>(6,014,046)</b>	<b>13,357,453</b>
<b>2016</b>	<b>5,105,211</b>	<b>33,460</b>	<b>946,526</b>	<b>(5,462,804)</b>	<b>12,060,523</b>

### Key properties

The key properties owned by the group and their current uses are as follows:

#### Malta

- 30 St Barbara Bastions Office
- 123 St Lucia Street Office development near completion
- 16-18 Charles Street Planning permission obtained for development
- 149 Archbishop Street Planning permission in progress

#### Tanzania

- Oyster Bay Hotel Hospitality
- Oyster Bay Suites Serviced accommodation
- Oyster Bay Offices Serviced units
- Oyster Bay Shopping Centre Retail

- Kimbiji Bay	Development land
South Africa	
- The Galenia Estate	Hospitality
- Galenia House	Hospitality
- Hauts de Montagu farm	Development land
- Little Bean Farm	Agri-village development
- Glendale Crescent	Residential development
- Palmyra Road	Residential development

### **Africa operational performance**

Commercial property in Dar es Salaam continues to be the main driver of our profitability in Africa. The serviced offices at Oyster Bay again showed high occupancy levels, albeit slightly down on last year (95% at 31 March 2017 against 97% for 2016), while retail occupancy improved marginally to 85% from 84% last year.

This performance is particularly commendable against the backdrop of a difficult market, with a significant over-supply of office space in Dar Es Salaam, as well as a number of rental agreements coming to an end during this and the next period. Negotiations continue with existing and potential new clients.

Tourism in East Africa as a whole has continued to be difficult this year and we do not expect the situation to improve significantly in the short term. While our hospitality revenues in Tanzania are therefore likely to remain flat, we are hoping that bookings at Gallenia Estate in South Africa will show an increase from an already promising first year

### **Malta operational performance**

The office development at 123 St Lucia Street was completed in April this year and we are in the process of marketing it as serviced offices, as an entire building and in smaller units. We have received a lot of interest, due to the location and quality of the rehabilitation, including from a potential buyer and we expect it to generate revenue during the coming year.

We have also received interest from potential tenants for the office/residential property at St Barbara Bastians and from potential buyers for the Charles Street property, for which we have obtained planning permission to develop.

### **Engineering operational performance**

Revenue derived from our engineering division in the United Kingdom increased by 12% to £1.6m (2016: £1.4m). The operating profit was £153k (2016: loss £37k).

### **Principal risks and uncertainties**

The group's principal risks are as follows:

#### *Going concern*

The board remains satisfied with the group's funding and liquidity position. The group operated within its current bank facility both throughout the period under review and subsequently.

The group's forecasts and projections indicate that the group should continue to operate within current bank facilities. The board considers that the group has considerable financial resources together with a diverse base of operations across different geographical areas and industries. As a consequence, the board believes that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this Annual Report & Financial Statements.

*Strategic risks*

The group faces a number of strategic risks. Management has developed long term business plans to manage the impact of these risks to ensure that the group delivers a satisfactory performance in future years. The main strategic risks faced by the business are:

- Emerging market risks – the directors recognise that the group faces a higher level of risk (and reward) because it operates in emerging markets, where operating and legal practices are different to those in the UK. Management have good knowledge of these markets and closely monitor events there to manage these risks;
- Competition: In order to remain competitive management recognises the need to make appropriate capital investments;
- Profit margin: In order to improve the margins management recognise the need to reduce fixed costs where appropriate and link them to a sustainable level of turnover.

*Financial risks*

There has been no change during the year, or since the year end, to the type of financial risks faced by the group or the group's management of those risks. The key risks, which are discussed in more detail in note 30 to the consolidated financial statements, are:

- Credit risk;
- Liquidity risk;
- Interest rate risk;
- Currency risk.

Newport  
South Wales  
2 August 2017

By order of the board  
Bryan Warren  
*Secretary*

## Director's Report

The directors submit their report and accounts for the year ended 31 March 2017. The Statement of Corporate Governance on pages 9 to 11 forms part of this report.

### Principal activities

C.H. Bailey plc is the holding company of subsidiary undertakings engaged in the development and operation of properties in the commercial, retail and hospitality sectors in the Mediterranean Basin and South and East Africa and in engineering in the United Kingdom. The profit on these various activities which is attributable to the shareholders amounted to £341,489 (2016: loss £426,314).

A review of the group's business, development and prospects can be found in the chairman's statement on pages 2 to 3. The financial management objectives and policies can be found in the strategic report on pages 4 to 6.

### Dividend

The directors do not propose to pay a final dividend in respect of the year ended 31 March 2017 (2016: £Nil).

### Change in fixed assets

A summary of the changes in property, plant and equipment is given in note 13 to the accounts.

A summary of the changes in investments in subsidiary undertakings is given in note 14 to the accounts.

In the directors' opinion, at 31 March 2017, the market value of leasehold land and buildings was not less than £24,000,000 and the market value of freehold land and buildings was not significantly higher than the carrying amount.

### Investment in own shares

On 21 September 2016, the company issued 10,863 ordinary shares of 10 pence to the directors in lieu of fees payable of £14,340 and on 14 March 2017, the company issued 8,419 ordinary shares of 10 pence to the directors in lieu of fees payable of £11,113. The company retains as treasury shares 685,229 shares of 10 pence at a cost of £904,502 (2016: 704,511 shares of 10 pence at a cost of £929,955).

### Directors

The board of directors on 31 March 2017 consisted of Charles Bailey, Sir William McAlpine, David Wilkinson and Christopher Fielding. The director retiring by rotation and offering himself for re-election is Sir William McAlpine. No director had, in the financial year to 31 March 2017, a material interest in any contract to which the company or a subsidiary undertaking was a party.

Charles Bailey is the only executive director. The non-executive directors are Sir William McAlpine, David Wilkinson and Christopher Fielding.

The directors had the following interests in the company's issued ordinary share capital:

	2 August 2017	31 March 2017	31 March 2016
Charles Bailey	5,347,286	5,347,286	5,277,686
Sir William McAlpine, Bt.	37,815	37,815	32,631
David Wilkinson	15,960	15,960	6,130
Christopher Fielding	16,654	16,654	12,386

### Substantial shareholdings

The company has been notified of the following interest in the company's issued ordinary share capital:



	2 August 2017	31 March 2017	31 March 2016
<b>P. S. Allen</b>	412,169	412,169	412,169
<b>D. Newlands</b>	229,000	229,000	229,000

### Charitable and political contributions

During the year the group made a contribution of £9,581 (2016: £8,869) to charitable funds in Tanzania. No donations of a political nature were made (2016: £Nil).

### Employees

The group is an equal opportunities employer. The group also makes every reasonable effort to give disabled applicants and existing employees, who became disabled, equal opportunities for work having regard to their individual aptitudes and abilities.

### Employee reporting and involvement

The group recognises the need to ensure effective communication with employees to encourage involvement in the group's performance. Policies and procedures have been developed to achieve a common awareness of factors affecting the performance of the group.

### Suppliers

The group agrees payment terms with suppliers prior to placing business. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has supplied the goods or services in accordance with the agreed terms and conditions.

### Health, safety, the environment and social policy

It is the group's policy to comply with relevant legislation in all countries in which it operates and to adopt responsible environmental and social practices. Training is provided to ensure that the group keeps abreast of changing business and regulatory requirements and technological advances.

### Close company

In the opinion of the directors the company is, at the accounting date and the date of this report, a close company within the terms of the Income and Corporation Taxes Act 1988.

### Auditors

In the case of each of the persons who are the directors of the company at the date when this report was approved:

- So far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware;
- Each director has taken all the steps that ought to be taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Haasco Limited is willing to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

Newport  
South Wales  
2 August 2017

By order of the board  
Bryan Warren  
*Secretary*

## Statement of Corporate Governance

### The board

At 26 July 2017, the board comprised one executive director: Charles Bailey (chief executive officer), and three non-executives: David Wilkinson, non-executive chairman, Sir William McAlpine and Christopher Fielding.

The board of directors is responsible to shareholders for the management and control of the group. The board operates within agreed matters reserved for its approval, which cover the key areas of the group's affairs, including all aspects of strategy, material property acquisitions, disposals and group financing arrangements.

Board meetings are held periodically during the year and each board member is provided in advance of the meeting with a board pack for each meeting which contains financial and operational information. The board is responsible for agreeing the major matters affecting the running of the business, as well as monitoring and reviewing performance and operating risks.

Year ended 31 March 2017	Meeting type		
	Board	Audit & Risk Committee	Remuneration Committee
Member			
Charles Bailey	8/8	-	1/1
Sir William McAlpine	8/8	2/2	-
David Wilkinson	8/8	-	1/1
Christopher Fielding	8/8	2/2	1/1
Bryan Warren	8/8	2/2	-

As of 04 August 2017, the board has two subcommittees: the Audit & Risk Committee and the Remuneration Committee. Christopher Fielding is chairman of the Audit & Risk Committee, and has relevant financial experience as suggested by Provision C.3.1 of the UK Corporate Governance Code. Christopher Fielding is also chairman of the Remuneration Committee. Written Terms of Reference for each Committee have been agreed.

### Audit & Risk Committee

The Audit & Risk Committee comprises Christopher Fielding (chairman), Sir William McAlpine and Bryan Warren. The committee is tasked to meet at least twice a year, in respect of the following:

#### *Audit and the auditors*

- to assess annually the qualification, expertise and resources, and independence of the external auditor, taking account of relevant Ethical Standards, and to ensure that the Auditor's key partners are rotated at appropriate intervals;
- to assess annually the effectiveness of the audit process;
- to review with management the audit fee and to ensure that the provision of non audit services does not impair the external auditor's independence or objectivity;
- to develop and implement a policy on the supply of non audit services by the external auditor;
- to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- to make appropriate recommendations to the board, if considered necessary, regarding the continuation of the external auditor, to oversee the selection process for new auditors and, if an auditor resigns, to investigate the issues leading to this and decide whether any action is required;

- to consider the need to include the risk of withdrawal of the external auditor from the market in the committee's risk assessment process;
- to review the external auditor's management letter and management's response;

#### *Risk and internal controls*

- to review the effectiveness of the group's internal control and risk management framework, in relation to the core strategic objectives of the company;
- to consider the risks associated with proposed strategic acquisitions or disposals;
- to review regular risk management reports from management which enable the committee to assess the risks involved in the company's business and how they are controlled and monitored by management;
- to monitor and review the effectiveness of the risk management and internal audit functions, to review the internal audit programme, and to seek such assurance as it may deem appropriate that the functions are adequately resourced and have appropriate standing within the group; and
- to consider management's response to any recommendations made by the external auditor or internal audit and review with internal audit and the external auditor any fraudulent or illegal acts, deficiencies in internal control or other similar issue, including reviewing the results of management's investigation and follow up of any fraudulent acts.

#### *Annual financial statements*

- to review, and challenge where necessary, the actions and judgements of management in relation to the annual financial statements, paying particular attention to:
  - critical accounting policies and practices, and any changes in them;
  - decisions requiring a major element of judgement;
  - the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
  - the clarity of disclosures;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - compliance with accounting standards and related guidance;
  - compliance with other legal requirements;
- to review treasury policies from time to time;
- to review the company's procedures for handling allegations from whistleblowers;
- to review mechanisms for informing and updating the board on independence issues, to receive reports on monitoring of independence and the handling of any issues relating to non compliance;
- to review tax compliance and tax planning initiatives of the company; and
- to perform other oversight functions, as requested by the board.

#### **Remuneration Committee**

The Remuneration Committee comprises Christopher Fielding (chairman), David Wilkinson, Sir William McAlpine and Charles Bailey. The committee is tasked to meet at least once a year, in respect of the following:

- to determine and agree with the board the framework or broad policy for the remuneration of the company's chief executive, chairman, the executive directors, the company secretary and such other members of the executive management as it is designated to consider. The remuneration of non-

executive directors shall be a matter for the chairman and the executive members of the board. No director or manager shall be involved in any decisions as to their own remuneration;

- in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company;
- review the ongoing appropriateness and relevance of the remuneration;
- approve the design of, and determine targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes;
- review the design of all share incentive plans for approval by the board. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used;
- determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- ensure that contractual terms on termination, and any payments made, are fair to the individual, and the company;
- in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance;
- review and note annually the remuneration trends across the company or group;
- oversee any major changes in employee benefits structures throughout the company or group;
- agree the policy for authorising claims for expenses from the chief executive and chairman;
- ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled;
- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- obtain reliable, current information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

### **Statement on internal control**

The directors are responsible for the system of internal control and for reviewing its effectiveness. This system is designed to manage as effectively as possible the risk of failure to achieve business objectives and can only provide reasonable rather than absolute assurance against material misstatement or loss.

### Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the group and parent financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare group and parent company financial statements for each financial year.

As required by the AIM rules of London Stock Exchange, they are required to prepare the group financial statements in accordance with IFRSs as adopted by the European Union and applicable law, and have elected to prepare the parent company financial statements in accordance with IFRS.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the group and parent company financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions in which the group has undertakings.

## Independent Auditor's Report

We have audited the group and individual company financial statements of C.H. Bailey plc for the year ended 31 March 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the consolidated and parent company statements of changes in equity and the related notes 1 to 34.

The financial reporting framework that has been applied in the preparation of the group and company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for anyone, other than the company or 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

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

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- The financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any misstatements in the Strategic Report and the Directors' Report.

**Matters on which we are required to report by exception**

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

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



Mr D.R. Thomas FCA  
*Senior Statutory Auditor*

*Statutory Auditor*  
Haasco Limited  
Newport  
South Wales  
2 August 2017

**Consolidated Income Statement**  
for the year ended 31 March 2017

	Notes	2017 £	2016 £
<b>Continuing operations</b>			
<b>Revenue</b>	<b>4</b>	6,126,045	5,105,211
Cost of sales		(4,363,181)	(3,576,420)
<b>Gross profit</b>		<u>1,762,864</u>	<u>1,528,791</u>
Administrative expenses		(1,929,055)	(1,711,538)
Investment activities and other income	<b>5</b>	<u>1,019,169</u>	<u>216,207</u>
<b>Operating profit</b>		852,978	33,460
<b>EBITDA*</b>		1,916,723	946,526
Depreciation		(1,063,102)	(918,920)
(Loss) profit on sale of plant and equipment		(643)	5,854
<b>Operating profit</b>		<u>852,978</u>	<u>33,460</u>
Finance income	<b>6</b>	4,336	25,846
Finance costs	<b>7</b>	(449,040)	(457,849)
<b>Profit (loss) before taxation</b>	<b>8</b>	<u>408,274</u>	<u>(398,543)</u>
Taxation	<b>11</b>	(66,876)	(28,115)
Minority interest		<u>91</u>	<u>344</u>
<b>Profit (loss) for the financial year</b>		<u>341,489</u>	<u>(426,314)</u>
<b>Earnings (loss) per share from continuing and total operations</b>	<b>12</b>	4.47p	(5.60p)

\*Earnings before interest, taxation, depreciation, profit on sale of plant and equipment and profit on sale of property.



**Consolidated Statement of  
Comprehensive Total Income**  
for the year ended 31 March 2017

Notes	2017 £	2016 £
Profit (loss) for the financial year	341,489	(426,314)
<b>Items that may be reclassified to profit and loss:</b>		
Exchange differences	930,953	(1,543,976)
<b>Total comprehensive income (loss) for the year</b>	<u>1,272,442</u>	<u>(1,970,290)</u>

**Balance Sheets**  
as at 31 March 2017

	Notes	Group		Company	
		2017 £	2016 £	2017 £	2016 £
<b>Non-current assets</b>					
Property, plant and equipment	13	14,664,816	12,827,555	-	-
Operating leases		250,049	87,626	-	-
Investments in subsidiary undertakings	14	-	-	982,187	1,234,974
Trade and other receivables	15	940,361	694,617	115,200	153,600
Deferred tax asset	16	272,219	231,757	205,170	187,304
		<u>16,127,445</u>	<u>13,841,555</u>	<u>1,302,557</u>	<u>1,575,878</u>
<b>Current assets</b>					
Inventory	17	26,035	19,851	-	-
Trade and other receivables	18	3,146,436	2,334,371	4,569,619	4,599,770
Current asset investments	19	1,317,557	1,522,622	359,683	241,599
Cash and cash equivalents	20	1,336,175	2,183,225	550,311	555,909
		<u>5,826,203</u>	<u>6,060,069</u>	<u>5,479,613</u>	<u>5,397,278</u>
Assets classified as held for sale		199,797	178,112	-	-
		<u>6,026,000</u>	<u>6,238,181</u>	<u>5,479,613</u>	<u>5,397,278</u>
<b>Current liabilities</b>					
Trade and other payables	21	(2,475,740)	(2,287,285)	(716,080)	(720,080)
Bank loans and overdrafts	22	(2,315,981)	(2,049,180)	(305,841)	(245,901)
Obligations under finance leases	23	-	(1,934)	-	-
Provisions	24	(225,000)	(225,000)	(225,000)	(225,000)
		<u>(5,016,721)</u>	<u>(4,563,399)</u>	<u>(1,246,921)</u>	<u>(1,190,981)</u>
<b>Net current assets</b>		<u>1,009,279</u>	<u>1,674,782</u>	<u>4,232,692</u>	<u>4,206,297</u>
<b>Total assets less current liabilities</b>		<u>17,136,724</u>	<u>15,516,337</u>	<u>5,535,249</u>	<u>5,782,175</u>
<b>Non-current liabilities</b>					
Bank loans	22	(3,698,065)	(3,413,624)	-	-
Obligations under finance leases	23	-	-	-	-
Deferred tax liabilities	25	(81,206)	(42,190)	-	-
		<u>(3,779,271)</u>	<u>(3,455,814)</u>	<u>(3,779,271)</u>	<u>(3,455,814)</u>
<b>Net assets</b>		<u>13,357,453</u>	<u>12,060,523</u>	<u>5,535,249</u>	<u>5,782,175</u>
<b>Equity</b>					
Called-up share capital	26	833,541	833,541	833,541	833,541
Share premium account	27	609,690	609,690	609,690	609,690
Capital redemption reserve	27	5,163,332	5,163,332	5,163,332	5,163,332
Investment in own shares	27	(904,502)	(929,955)	(904,502)	(929,955)
Translation reserve	27	58,962	54,470	-	-
Retained earnings	27	7,595,276	6,328,290	(166,812)	105,567
<b>Surplus attributable to the parent's shareholders</b>		<u>13,356,299</u>	<u>12,059,368</u>	<u>5,535,249</u>	<u>5,782,175</u>
Minority interest	27	1,154	1,155	-	-
<b>Total equity</b>		<u>13,357,453</u>	<u>12,060,523</u>	<u>5,535,249</u>	<u>5,782,175</u>

These financial statements were approved by the board of directors on 2 August 2017 and were signed on its behalf by:  
David Wilkinson  
*Chairman*

**Consolidated Cash Flow Statement**  
for the year ended 31 March 2017

	Notes	Group		Company	
		2017 £	2016 £	2017 £	2016 £
<b>Cash flows from operating activities</b>					
Cash generated from operations	28	567,181	(281,549)	(70,862)	493,427
Interest paid		(449,040)	(457,849)	(7,635)	(8,701)
Overseas tax paid		(60,332)	(48,807)	-	-
<b>Net cash flow from operating activities</b>		<b>57,809</b>	<b>(788,205)</b>	<b>(78,497)</b>	<b>484,726</b>
<b>Investing activities</b>					
Sale of property, plant and equipment		7,862	32,304	-	-
Purchase of property, plant and equipment		(1,121,728)	(2,263,358)	-	-
Deposit on purchase of property	13	(600,000)	-	-	-
Sale of investments		1,255,205	809,533	-	8,000
Purchase of investments		(635,491)	(949,787)	-	-
Interest received		4,336	25,846	1	5
<b>Net cash flow from investing activities</b>		<b>(1,089,816)</b>	<b>(2,345,462)</b>	<b>1</b>	<b>8,005</b>
<b>Financing activities</b>					
Equity dividends paid		-	(1,521,551)	-	(1,521,551)
Dividend to minority interest		-	-	-	-
Investment in own shares		24,489	32,988	24,489	32,988
Movement in bank loans		(218,378)	(1,083,462)	-	-
Movement in directors' loans		139,640	(18,636)	(11,531)	17,972
Movement in other loans		-	-	-	-
Movement in capital element of finance leases		(1,934)	(30,194)	-	-
<b>Net cash flow from financing activities</b>		<b>(56,183)</b>	<b>(2,620,855)</b>	<b>12,958</b>	<b>(1,470,591)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(1,088,190)</b>	<b>(5,754,522)</b>	<b>(65,538)</b>	<b>(977,860)</b>
Cash and cash equivalents at beginning of year	29	134,045	5,321,954	310,008	1,287,868
Exchange differences		(25,661)	566,613	-	-
<b>Cash and cash equivalents at end of year</b>	<b>29</b>	<b>(979,806)</b>	<b>134,045</b>	<b>244,470</b>	<b>310,008</b>
<b>Reconciliation of net cash flow to movement in net funds (debt) in the year</b>					
Net (decrease) in cash and cash equivalents		(1,088,190)	(5,754,522)	(65,538)	(977,860)
Net cash flow from the movement in debt		220,312	1,113,656	-	-
<b>Movement in net funds (debt) during the year</b>		<b>(867,878)</b>	<b>(4,640,866)</b>	<b>(65,538)</b>	<b>(977,860)</b>
Net (debt) funds at the beginning of the year		(3,281,513)	933,933	310,008	1,287,868
Exchange differences		(528,480)	425,420	-	-
<b>Net (debt) funds at the end of the year</b>	<b>29</b>	<b>(4,677,871)</b>	<b>(3,281,513)</b>	<b>244,470</b>	<b>310,008</b>

**Consolidated Statement of Changes in Equity**  
for the year ended 31 March 2017

	Called-up share capital	Share premium account	Capital redemption reserve	Investment in own shares	Translation reserve	Retained earnings	Minority interest	Total
	£	£	£	£	£	£	£	£
<b>Group</b>								
<b>At 31 March 2015</b>	833,541	609,690	5,163,332	(960,509)	51,307	9,820,860	1,370	15,519,591
<b>Transactions with owners recorded directly in equity</b>								
Equity dividends paid	-	-	-	-	-	(1,521,551)	-	(1,521,551)
Sale of investment in own shares	-	-	-	-	-	32,988	-	32,988
Cost of investment in own shares	-	-	-	30,554	-	(30,554)	-	-
<b>Income statement</b>								
(Loss) for the financial year	-	-	-	-	-	(426,314)	(344)	(426,658)
<b>Items that may be reclassified to profit and loss</b>								
Exchange differences	-	-	-	-	3,163	(1,547,139)	129	(1,543,847)
<b>At 31 March 2016</b>	833,541	609,690	5,163,332	(929,955)	54,470	6,328,290	1,155	12,060,523
<b>Transactions with owners recorded directly in equity</b>								
Sale of investment in own shares	-	-	-	-	-	24,489	-	24,489
Cost of investment in own shares	-	-	-	25,453	-	(25,453)	-	-
<b>Income statement</b>								
Profit for the financial year	-	-	-	-	-	341,489	(91)	341,398
<b>Items that may be reclassified to profit and loss</b>								
Exchange differences	-	-	-	-	4,492	926,461	90	931,043
<b>At 31 March 2017</b>	833,541	609,690	5,163,332	(904,502)	58,962	7,595,276	1,154	13,357,453
<b>Company</b>								
<b>At 31st March 2015</b>	833,541	609,690	5,163,332	(960,509)	-	2,249,983	-	7,896,037
Equity dividends paid	-	-	-	-	-	(1,521,551)	-	(1,521,551)
Sale of investment in own shares	-	-	-	-	-	32,988	-	32,988
Cost of investment in own shares	-	-	-	30,554	-	(30,554)	-	-
<b>Income statement</b>								
(Loss) for the financial year	-	-	-	-	-	(625,299)	-	(625,299)
<b>At 31st March 2016</b>	833,541	609,690	5,163,332	(929,955)	-	105,567	-	5,782,175
<b>Transactions with owners recorded directly in equity</b>								
Sale of investment in own shares	-	-	-	-	-	24,489	-	24,489
Cost of investment in own shares	-	-	-	25,453	-	(25,453)	-	-
<b>Income statement</b>								
(Loss) for the financial year	-	-	-	-	-	(271,415)	-	(271,415)
<b>At 31st March 2017</b>	833,541	609,690	5,163,332	(904,502)	-	(166,812)	-	5,535,249

## Notes to the Accounts

### 1. General information

#### Legal status and country of incorporation

C. H. Bailey plc, company number 190106, is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 39. The principal activities are set out in the Directors' Report on pages 7 to 12.

#### Basis of preparation

These financial statements have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union and with the Companies Act 2006. Therefore these financial statements comply with the AIM rules.

The financial statements are prepared using the historical cost basis of accounting except for:

- Properties held at the date of transition to IFRS which are stated at deemed cost; and
- Assets held for sale which are stated at the lower of fair value less anticipated disposal costs and carrying value.

#### Going concern

The directors have prepared these financial statements on the fundamental assumption that the group is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements.

Further information explaining why the directors believe the group is a going concern is given in the principal risks and uncertainties of the Strategic Report.

#### Accounting period

The current period is for 12 months ended 31 March 2017 and the comparative period is for the 12 months ended 31 March 2016

#### Functional and presentational currency

The financial statements are presented in pounds sterling because that is the functional currency of the primary economic environment in which the group operates.

#### Initial Adoption of International Financial Reporting Standards

These are the group's ninth consolidated financial statements that have been prepared in accordance with IFRS. The group's transition date for adoption of IFRS is 1st April 2006. The group has taken advantage of the following exemptions on transition to IFRS as permitted by paragraph 13 of IFRS 1:

- The requirements of IFRS 3 – Business Combinations – have not applied to business combinations that occurred before the date of transition to IFRS;
- The carrying value of freehold and leasehold properties are based on previously adopted UK GAAP valuations and these are now taken as deemed cost on transition to IFRS.

**International Financial Reporting Standards adopted for the first time this accounting period**

There were no new standards or amendments to standards adopted for the first time this year that had a material impact on the results or the group.

**Future adoption of International Financial Reporting Standards**

A number of new standards, amendments and interpretations to existing standards have been published by the ISAB but are not yet effective and have not been applied early by the group. It is anticipated that the following pronouncements relevant to the group's operations will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement once adopted by the European Union:

- IFRS 9 Financial instruments (effective 1 January 2018);
- IFRS 14 Regulatory deferral accounts (not yet adopted by European Union);
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018);
- IFRS 16 Leases (effective 1 January 2019);
- Recognition of deferred tax assets for unrealised losses (amendment IAS 12)(not yet adopted by European Union);
- Classification and measurement of share based payment transactions (amendment IFRS 2)(not yet adopted by European Union);
- Disclosure initiative (amendment IAS 7)(not yet adopted by European Union);
- Annual improvements to IFRS 2014-2016 cycle (not yet adopted by European Union);
- IFRIC interpretation 22 Foreign currency transactions and advance considerations)(not yet adopted by European Union).

The company will assess the potential impact of these standards once the final version has been endorsed by the European Union. Whilst work has not yet been completed on the above standards, the directors do not currently foresee any material impact on the financial statements of the group as a result of adopting these standards.

**2. Significant accounting policies****Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 March 2017. Control is achieved where the company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **Business combinations and goodwill**

The acquisition of subsidiaries is accounted for using the acquisition method. The assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at their acquisition date except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 which are recognised and measured at fair value less costs to sell. Any excess of the cost over the asset valuation as calculated above is recognised as goodwill.

In accordance with the options that are available under IFRS 1 on transition to IFRS, the group elected not to apply IFRS 3 retrospectively to past business combinations that occurred before the date of transition to IFRS.

Accordingly goodwill that had previously been offset against reserves under UK GAAP has not been recognised in the opening IFRS balance sheet. The interest of any minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### **Investments in associates and trade investments**

The results of entities over which the group is not in a position to be able to exercise significant influence despite holding a significant shareholding are not accounted for as associates and therefore are not equity accounted. The companies are classified as trade investments and are carried as available for sale financial assets which are measured at cost, as the directors consider that fair value cannot be reliably measured, other than impairment losses which are recognised in the income statement. Dividend income is recognised in the income statement on a cash basis when received.

### **Property, plant and equipment**

Property is carried at deemed cost at the date of transition to IFRS based on the previous UK GAAP valuations. Plant and equipment held at the date of transition and subsequent additions to property, plant and equipment are stated at purchase cost including directly attributable costs. The group does not have a revaluation policy. Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided on a straight line basis using rates calculated to write down the cost of each asset over its estimated useful life as follows:

Property:

Freehold buildings	Between 2% and 5%
Leasehold buildings	Period of the lease
Plant and equipment	Between 10% and 25%

Annual reviews are made of estimated useful lives and material residual values.

### **Investment and development property**

Properties are externally valued on the basis of fair value at the balance sheet date. Investment property is recorded at valuation whereas trading property is stated at the lower of cost and net realisable value. Any surplus or deficit arising is recognised in investment activities in the income statement.

The cost of properties in the course of development includes attributable interest and other associated outgoings. Interest is calculated on the development expenditure by reference to specific borrowings. Interest is not capitalised where no development activity is taking place. A property ceases to be a development property on practical completion.

Investment property disposals are recognised on completion. Profits and losses are recognised in investment activities in the income statement. The profit on disposal is determined as the difference between the net sale

proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

Where investment properties are appropriated to trading stock, they are transferred at market value. If properties held for trading are appropriated to investment, they are transferred at book value.

### **Lessee accounting**

Initial rental payments in respect of operating leases are included in current and non-current assets as appropriate and amortised to the income statement over the period of the lease. Ongoing rental payments are charged as an expense in the income statement on a straight line basis until the date of the next rent review. Finance leases are capitalised and depreciated in accordance with the accounting policy for property, plant and equipment. As permitted by IFRS 1 at the date of transition to IFRS, the carrying value of long leasehold properties are based on the previous UK GAAP valuations and this has been taken as deemed cost. Rental costs arising from operating leases are charged as an expense in the income statement on a straight line basis over the period of the lease.

### **Non-current assets held for sale**

Non-current assets are reclassified as assets held for sale if they are immediately available for sale in their current condition and their carrying value will be recovered through a sale transaction on which is highly probable to be completed within 12 months of the initial classification. Assets held for sale are valued at the lower of carrying value at the date of initial classification and fair value less costs to sell.

### **Impairment of non-financial assets**

Goodwill is tested annually for impairment or more frequently if there are any changes in circumstances or events that indicate that a potential impairment may exist. Goodwill impairments cannot be reversed. Property, plant and equipment are reviewed for indications of impairment when events or changes in circumstances indicate that the carrying amount may not be recovered. If there are indications then a test is performed on the asset affected to assess its recoverable amount against carrying value. An asset impaired is written down to the higher of value in use or its fair value less cost to sell.

### **Deferred and current taxation**

The charge for taxation is based on the taxable profit or loss for the year and takes into account taxation deferred because of differences between the treatment of certain items for taxation and for accounting purposes. Full provision is made for the tax effects of these differences.

Current income tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to current or prior periods that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate based on the taxable profit for the year. Deferred tax is calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. Deferred tax assets and liabilities are calculated using tax rates that have been enacted, or substantively enacted, by the year end balance sheet date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities. Deferred tax assets and liabilities are not discounted.

The carrying amount of the deferred tax assets is reviewed at each reporting balance sheet date to ensure that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Assets and liabilities, in respect of both deferred and current tax, are only offset when there is a legally enforceable right to offset and the assets and liabilities relate to taxes levied by the same taxation authority.

Deferred and current tax is charged or credited in the income statement except when it relates to items charged directly to equity in which case the associated tax is also dealt with in equity.



**Stocks**

Stocks are valued at the lower cost of purchase and net realisable value. Cost comprises actual purchase price and, where applicable, associated direct costs incurred bringing the stock to its present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

**Financial instruments**

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial assets are recognised and derecognised on a trade date where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Financial assets are classified as “loans and receivables”, “held to maturity” investments, “available for sale” investments or “assets at fair value through the profit and loss” depending upon the nature and purpose of the financial asset. The classification is determined at the time of the initial recognition.

Financial assets are normally classified as “loans and receivables” and are initially measured at fair value including transaction costs incurred. The only financial assets currently held at “fair value through profit or loss” are the current asset investments.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. There are currently no financial liabilities held at “fair value through profit or loss”.

*Loans and receivables*

Trade receivables, loans and other receivables are measured on initial recognition at fair value and, except for short term receivables where the recognition of interest would be immaterial, are subsequently re-measured at amortised cost using the effective interest rate method. Allowances for irrecoverable amounts, which are dealt with in the income statement, are calculated based on the difference between the asset’s carrying amount and the present value of estimated future cash flows, calculated based on past default experience, discounted at the effective interest rate computed at initial recognition where material.

*Derivative financial instruments and hedge accounting*

The group has loans held in US dollars which are disclosed in borrowings and are at fixed rates of 6.25% and 8%. The other group loans and overdrafts are subject to floating interest rates based on LIBOR plus the most competitive margin available. The group’s policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, nor against foreign currency transactions. The group generally does not enter into any forward exchange contracts and it does not use financial instruments for speculative purposes. The group does not hold any derivative financial instruments or embedded derivative financial instruments at either period end.

*Cash and cash equivalents*

Cash and cash equivalents includes cash-in-hand, cash at bank and short term highly liquid investments that are readily convertible into known amounts of cash within three months from the date of initial acquisition with an insignificant risk of a change in value.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

*Other financial liabilities*

Other financial liabilities, including trade payables, are measured on initial recognition at fair value and, except for short term payables where the recognition of interest would be immaterial, are subsequently re-measured at amortised cost using the effective interest rate method.

*Bank loans*

Interest bearing bank loans are recorded at the proceeds received less capital repayments made. Finance charges are accounted for on an accruals basis in the profit and loss account using the effective interest rate method. They are included within accruals to the extent that they are not settled in the period in which they arise.

**Provisions**

Provisions are created where the group has a present obligation (legal or constructive) as a result of a past event where it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are only discounted to present value where the effect is material.

**Net funds**

Net funds is defined as cash and cash equivalents, bank and other loans including finance lease obligations and derivative financial instruments stated at current fair value.

**Revenue recognition***Revenue*

Revenue represents the fair value of the consideration received and receivable for services provided and goods supplied to third party customers. In respect of long term contracts and contracts for on-going services, revenue is recognised as the contract progresses on the basis of work completed. Revenue excludes value added tax.

*Investment and interest income*

Dividend income is recognised in the income statement when the shareholder's right to receive payment has been established. Interest income from bank deposit accounts is accrued on a time basis calculated by reference to the principal on deposit and effective interest rate applicable.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into pounds sterling at the financial reporting year end rates. Non monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

The results of overseas subsidiary undertakings, associates and trade investments are translated into pounds sterling at average rates for the year unless exchange rates fluctuate significantly during that year in which case exchange rates at the date of transactions are used. The closing balance sheets are translated at the year end rates and the exchange differences arising are transferred to the group's translation reserve as a separate component of equity and are reported within the consolidated statement of changes in equity. All other exchange differences are included within the consolidated income statement in the year. Intercompany foreign exchange differences are included in operating profit unless deemed to be as permanent as equity in which case are included in reserves.

**Operating profit**

Operating profit is defined as the profit for the year from continuing operations after all operating costs and income but before finance income, finance costs, and taxation. Operating profit is disclosed as a separate line on the face of the income statement.

Normalised operating profit is the same as the above but excludes non-recurring items, for example profit on the sale of property. Normalised operating profit is reconciled to operating profit on the face of the income statement.

**Other gains and losses**

Other gains and losses are material items that arise from unusual non-recurring events. They are disclosed separately, in aggregate, on the face of the income statement after operating profit where, in the opinion of the directors, such disclosure is necessary in order to fairly present the results for the financial period.

**Finance costs**

Finance costs are recognised in the income statement on the accruals basis in the year in which they are incurred.

**3. Use of critical accounting assumptions and estimates**

Estimates and judgements are continually evaluated and assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable given the circumstances prevailing when the accounts are approved.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The area where the group considers estimates and assumptions to have a significant risk of causing material adjustment to the carrying value of assets and liabilities is in the valuation of investment properties.

#### 4. Segmental information

	Revenue continuing operations	Operating profit (loss) continuing operations	Depreciation and loss (profit) on sale of plant and equipment	EBITDA	Net assets
	£	£	£	£	£
<b>Classes of business</b>					
Engineering:					
2017	1,597,994	153,517	75,584	229,101	332,221
2016	1,425,101	(36,813)	76,912	40,099	183,086
Tourism and serviced units:					
2017	4,526,769	687,217	953,427	1,640,644	6,770,202
2016	3,680,110	642,507	818,309	1,460,816	5,219,364
Investment and development property:					
2017	1,282	40,311	34,734	75,045	4,087,975
2016	-	126,137	17,705	143,842	3,799,978
Management:					
2017	-	(28,067)	-	(28,067)	2,167,055
2016	-	(698,371)	140	(698,231)	2,858,095
<b>Total:</b>					
<b>2017</b>	<b>6,126,045</b>	<b>852,978</b>	<b>1,063,745</b>	<b>1,916,723</b>	<b>13,357,453</b>
2016	5,105,211	33,460	913,066	946,526	12,060,523
<b>Geographical segments</b>					
United Kingdom:					
2017	1,688,040	116,807	75,584	192,391	850,407
2016	1,515,725	(468,844)	77,052	(391,792)	530,105
Africa:					
2017	4,436,723	403,162	953,427	1,356,589	6,603,227
2016	3,589,486	276,840	818,309	1,095,149	5,107,786
Malta and Rest of the World:					
2017	1,282	333,009	34,734	367,743	5,903,819
2016	-	225,464	17,705	243,169	6,422,632
<b>Total:</b>					
<b>2017</b>	<b>6,126,045</b>	<b>852,978</b>	<b>1,063,745</b>	<b>1,916,723</b>	<b>13,357,453</b>
2016	5,105,211	33,460	913,066	946,526	12,060,523

#### 5. Investment activities and other income

	2017 £	2016 £
Current asset investments valuation movement	426,784	(201,054)
Investment and development property valuation movement	297,836	351,580
(Increase) in provision on current asset investments	(12,135)	(32,735)
Net foreign exchange gain - inter-company loans	805,578	157,842
Net foreign exchange (loss) - monetary items	(549,740)	(151,333)
Income from current asset investments	50,846	91,907
	<u>1,019,169</u>	<u>216,207</u>

**6. Finance income**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Bank deposits	<u>4,336</u>	<u>25,846</u>

**7. Finance costs**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Bank loans	442,897	448,980
Finance leases	654	8,869
	<u>443,551</u>	<u>457,849</u>

**8. Profit (loss) before taxation**

The following have been charged (credited) in arriving at the profit (loss) before taxation:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Depreciation - owned assets	1,063,102	918,850
Depreciation - finance leased assets	-	1,366
Loss (profit) on sale of plant and equipment	643	( 5,854)
Operating lease rental payments	32,368	44,121
Net foreign exchange (gain)	( 255,838)	( 6,509)

**9. Auditors' remuneration**

A detailed analysis of auditors' remuneration on a worldwide basis is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Auditor's fees		
- statutory audit of the consolidated accounts	29,175	28,975
- statutory audit of the group's subsidiaries	9,000	9,000
- interim review	9,550	9,280
Overseas auditors' fees		
- statutory audit	27,542	23,398

**10. Employee information**

The average number of employees employed during the year was:

	<b>2017</b>	<b>2016</b>
Management	21	22
Administration	14	14
Production	119	110
	<u>154</u>	<u>146</u>

Staff costs, including directors' remuneration:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,943,703	1,540,094
Social security costs	171,919	133,872
Pensions (defined contribution schemes)	7,585	5,215
	<u>2,123,207</u>	<u>1,679,181</u>

Total directors' emoluments were as follows:

	<b>Fees</b>	<b>Salary</b>	<b>Total emoluments</b>	
	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Charles Bailey	30,014	354,699	384,713	145,482
Sir William McAlpine, Bt.	24,000	-	24,000	18,000
David Wilkinson	30,000	-	30,000	12,000
Christopher Fielding	24,000	-	24,000	24,000
	<u>108,014</u>	<u>354,699</u>	<u>462,713</u>	<u>199,482</u>

The number of directors accruing retirement benefits under defined contribution schemes

<u>1</u>	<u>1</u>
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The group does not operate any profit share or bonus schemes for directors.

## 11. Taxation

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Current tax - overseas tax based on taxable profit for the year	60,332	48,807
Deferred tax (credit) on the origination and reversal of temporary differences	6,544	(20,692)
Total tax charge for the financial year attributable to total operations	<u>66,876</u>	<u>28,115</u>

The tax charge for the financial year can be reconciled to the profit before tax per the income statement multiplied by the standard applicable corporation tax rate in the UK of 20% as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Profit (loss) before taxation	<u>408,274</u>	<u>(398,543)</u>
Tax at the UK effective corporation tax rate of 20% (2016: 20%)	81,655	(79,709)
Effects of:		
Non-deductible expenses	10,134	9,232
Movement in overseas trading losses and effect of different overseas tax rates	230,242	44,822
Differences arising on capital sales and investment income	(85,776)	37,852
Deferred tax on losses not recoverable	(168,223)	7,354
Effect of change in tax rate	(1,156)	8,564
Total tax charge for the financial year	<u>66,876</u>	<u>28,115</u>

## 12. Earnings (loss) per share

The earnings per share has been calculated by reference to the weighted average number of ordinary shares of 10p each in issue of 7,637,031 (2016: 7,609,083) which excludes own shares held. The share options in issue have no dilutive effect on the weighted average number of ordinary shares.

	<b>Continuing earnings</b>	<b>Number of shares</b>
<b>2017</b>		
Basic earnings / weighted average number shares	<u>341,489</u>	<u>7,637,031</u>
Basic earnings per share (pence)	<u>4.47p</u>	
<b>2016</b>		
Basic earnings / weighted average number shares	<u>(426,314)</u>	<u>7,609,083</u>
Basic earnings per share (pence)	<u>(5.60p)</u>	

**13. Property, plant and equipment**

	<b>Freehold land and buildings</b>	<b>Leasehold land and buildings under 50 years</b>	<b>Plant and equipment</b>	<b>Investment and development property</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 April 2016	2,246,523	9,794,062	3,564,617	2,098,769	17,703,971
Exchange differences	323,467	1,103,355	361,304	162,973	1,951,099
Additions	52,729	559,451	136,546	373,002	1,121,728
Valuation movement	-	-	-	297,836	297,836
Disposals	-	(2,487)	(104,340)	-	(106,827)
At 31 March 2017	<u>2,622,719</u>	<u>11,454,381</u>	<u>3,958,127</u>	<u>2,932,580</u>	<u>20,967,807</u>
<b>Depreciation</b>					
At 1 April 2016	12,655	2,712,244	2,151,517	-	4,876,416
Exchange differences	4,433	243,747	213,615	-	461,795
Charge for year	18,401	522,941	514,320	7,440	1,063,102
Disposals	-	-	(98,322)	-	(98,322)
At 31st March 2017	<u>35,489</u>	<u>3,478,932</u>	<u>2,781,130</u>	<u>7,440</u>	<u>6,302,991</u>
<b>Carrying value</b>					
<b>2017</b>	<b>2,587,230</b>	<b>7,975,449</b>	<b>1,176,997</b>	<b>2,925,140</b>	<b>14,664,816</b>
2016	2,233,868	7,081,818	1,413,100	2,098,769	12,827,555

At 31 March 2017 the group's carrying value of plant and equipment held under finance leases and similar agreements was £Nil (2016: £8,198).

At 31 March 2017 the group did not have any non-cancellable contractual commitments for the acquisition of property, plant and equipment.

On 15 May 2017, the group purchased a freehold property at Glendale Crescent, Claremont, South Africa for R7,661,792 (£450,590).

On 15 May 2017, the group purchased a freehold property at Palmyra Road, Claremont, South Africa for R2,532,362 (£148,928).

**14. Investments in subsidiary undertakings**

<b>Company</b>	<b>£</b>
At 31 March 2015	1,487,644
Disposal and impairment provisions	<u>(252,670)</u>
At 31 March 2016	1,234,974
Disposal and impairment provisions	<u>(252,787)</u>
At 31 March 2017	<u>982,187</u>

A list of the significant investments in subsidiaries, including the country of incorporation, is given in note 34.

**15. Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Prepayments and accrued income	115,200	153,600	115,200	153,600
Social security and other taxes	825,161	541,017	-	-
	<u>940,361</u>	<u>694,617</u>	<u>115,200</u>	<u>153,600</u>

**16. Deferred tax asset**

	<b>Tax losses recognised</b>	<b>Unremitted overseas earnings</b>	<b>Short term timing differences</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Group</b>				
At 1 April 2016 at 19%	274,210	(44,205)	1,752	231,757
Exchange differences	10,804	-	462	11,266
Credited to income statement	35,886	(9,231)	2,541	29,196
At 31 March 2017 at 19%	<u>320,900</u>	<u>(53,436)</u>	<u>4,755</u>	<u>272,219</u>
<b>Company</b>				
At 1 April 2016 at 19%	231,509	(44,205)	-	187,304
Credited to income statement	27,097	(9,231)	-	17,866
At 31 March 2017 at 19%	<u>258,606</u>	<u>(53,436)</u>	<u>-</u>	<u>205,170</u>

Deferred tax at 31 March 2017 has been calculated using the substantively enacted rate of tax that is expected to apply when timing differences reverse. At 31 March 2017 the group had unused capital losses of £429,325 (2016: £427,420) available for offset against future capital gains. The utilisation of capital losses is only recognised following the actual crystallisation of a taxable gain. The deferred tax asset is expected to be recovered after more than 12 months. Deferred tax assets have not been recognised in respect of tax losses where it is uncertain that future taxable profits will be available, against which the group can utilise them.

**17. Inventory**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Raw materials and consumables	<u>26,035</u>	<u>19,851</u>	<u>-</u>	<u>-</u>

**18. Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	1,695,033	1,506,622	-	-
Amounts recoverable on long term contracts	146,065	137,981	-	-
Loans to group undertakings	-	-	4,505,394	4,534,206
Other debtors	637,719	123,169	8,000	10,976
Operating leases	33,494	143,263	-	-
Prepayments and accrued income	250,721	192,274	49,853	49,957
Social security and other taxes	383,404	231,062	6,372	4,631
	<u>3,146,436</u>	<u>2,334,371</u>	<u>4,569,619</u>	<u>4,599,770</u>

**19. Current asset investments**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Listed investments	1,311,556	1,504,486	353,683	235,599
Unlisted investments	6,001	18,136	6,000	6,000
	<u>1,317,557</u>	<u>1,522,622</u>	<u>359,683</u>	<u>241,599</u>

Investments are carried at fair value at the balance sheet date.



**20. Cash and cash equivalents**

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Cash at bank and in hand	1,120,919	1,969,385	550,311	555,909
Deposit accounts	215,256	213,840	-	-
	<u>1,336,175</u>	<u>2,183,225</u>	<u>550,311</u>	<u>555,909</u>

Deposit accounts comprise short term bank deposits with an original maturity of three months or less.

**21. Trade and other payables**

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	341,199	352,330	33,348	44,063
Deferred consideration on long term contracts	868,834	917,557	-	-
Loans from group undertakings	-	-	303,543	222,446
Social security and other taxes	253,178	213,971	26,615	25,678
Directors' loans	160,684	21,044	8,059	19,590
Accruals and deferred income	220,340	275,230	44,176	107,949
Other creditors	631,505	507,153	300,339	300,354
	<u>2,475,740</u>	<u>2,287,285</u>	<u>716,080</u>	<u>720,080</u>

**22. Borrowings**

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
<b>Current liabilities</b>				
Bank loans and overdrafts	<u>2,315,981</u>	<u>2,049,180</u>	<u>305,841</u>	<u>245,901</u>
<b>Non-current liabilities</b>				
Bank loans	<u>3,698,065</u>	<u>3,413,624</u>	<u>-</u>	<u>-</u>
<b>Bank loans</b>				
Over one year and under two years	2,337,989	2,264,726	-	-
Over two years and under five years	785,787	1,148,898	-	-
Over five years	574,289	-	-	-
	<u>3,698,065</u>	<u>3,413,624</u>	<u>-</u>	<u>-</u>

**Bank loans**

	Tanzania	South Africa	Malta	2017	2016
				£	£
<b>Current liabilities</b>					
Bank loans	<u>1,280,861</u>	<u>2,573</u>	<u>-</u>	<u>1,283,434</u>	<u>1,595,210</u>
<b>Non-current liabilities</b>					
Over one year and under two years	2,246,810	27,167	64,012	2,337,989	2,264,726
Over two years and under five years	551,362	106,402	128,023	785,787	1,148,898
Over five years	-	37,870	536,419	574,289	-
	<u>2,798,172</u>	<u>171,439</u>	<u>728,454</u>	<u>3,698,065</u>	<u>3,413,624</u>
<b>Total loans</b>	<u>4,079,033</u>	<u>174,012</u>	<u>728,454</u>	<u>4,981,499</u>	<u>5,008,834</u>

**Loan profile**

Bank	Type	Rate	Maturity date	2017	Loan	Base currency
<b>Tanzania</b>				£	\$	
I&M Bank Kenya	Fixed loan	6.25%	31/07/2019	2,618,531	3,289,678	US Dollar
I&M Bank Tanzania	Fixed loan	8.00%	31/10/2021	1,460,502	1,834,839	US Dollar
				<u>4,079,033</u>	<u>5,124,517</u>	
<b>South Africa</b>				£	R	
Nedbank Limited	Fixed loan	10.50%	30/11/2026	174,012	2,937,160	SA Rand
<b>Malta</b>				£	Eu	
Lombard Bank Malta	Fixed loan	4.00%	30/09/2025	728,454	853,502	Euro

All other group bank borrowings are at a floating charge based on the relevant LIBOR equivalent.

At the 31 March 2017 the group had £6,988,166 (2016: £7,202,872) of committed facilities of which £6,014,046 (2016: £5,462,804) was utilised.

The group's UK bank loans are secured by a charge over certain assets of the group and by cross guarantees between the UK undertakings. These borrowings at 31 March 2017 were £375,861 (2016: £453,970). Industrial Investment Corporation Limited has provided guarantees of £500,000 to Barclays Bank plc in respect of UK bank borrowings.

Cordura Limited (Tanzania) had borrowings at 31 March 2017 of £4,079,033 (2016: £5,008,834) secured by a fixed and floating charge over its assets. Industrial Investment Corporation Limited has provided guarantees of \$500,000 in respect of Tanzanian bank borrowings and provided a promissory note for \$900,000 as security for an overdraft. CH Bailey Plc has provided a guarantee in respect of Tanzanian bank borrowings.

Industrial Investment Corporation SA Property Proprietary Limited had borrowings at 31 March 2017 of £174,012 (2016: £Nil) secured by a fixed charge over the freehold property in South Africa.

IIC (Malta) Ltd had borrowings at 31 March 2017 of £728,454 (2016: £Nil) secured by a fixed and floating charge over its assets.

**23. Obligations under finance leases**

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Amounts payable under finance leases:				
Within one year	-	2,234	-	-
Over one year and under five years	-	-	-	-
	<u>-</u>	<u>2,234</u>	<u>-</u>	<u>-</u>
Less future finance charges	-	(300)	-	-
Present value of lease obligations	-	1,934	-	-
Current liabilities	-	-	-	-
Non-current liabilities	-	1,934	-	-

The carrying value of obligations under finance leases approximates to the present value of minimum lease payments.

**24. Provisions**

	<b>Legal £</b>
<b>Group</b>	
At 1 April 2016	225,000
Utilised	(3,435)
Charged to income statement	3,435
At 31 March 2017	<u>225,000</u>
<b>Company</b>	
At 1 April 2016	225,000
Utilised	(3,435)
Charged to income statement	3,435
At 31 March 2017	<u>225,000</u>

**25. Deferred tax liabilities**

	<b>Revaluation surplus £</b>
<b>Group</b>	
At 1 April 2016	42,190
Exchange differences	3,276
Charged to income statement	35,740
At 31 March 2017	<u>81,206</u>

Deferred tax has been calculated using the substantively enacted rate of tax that is expected to apply when timing differences reverse. The deferred tax liability is expected to be recovered after more than 12 months.

**26. Called-up share capital**

	<b>2017 £</b>	<b>2016 £</b>
Issued and fully paid: 8,335,413 ordinary shares of 10p each	<u>833,541</u>	<u>833,541</u>

On 21 September 2016, the company issued 10,863 ordinary shares of 10 pence to the directors in lieu of fees payable of £14,340. On 14 March 2017, the company issued 8,419 ordinary shares of 10 pence to the directors in lieu of fees payable of £11,113. The company retains as treasury shares 685,229 shares of 10 pence at a cost of £904,502 (2016: 704,511 shares of 10 pence at a cost of £929,955). The company did not buy back any shares for cancellation during the year. At 31 March 2017, the company has one class of ordinary shares, which carry no right to fixed income. The share options outstanding have been recognised in accordance with IFRS 2. The movements in share options were as follows:

	<b>Number</b>	<b>Market price and date of exercise</b>
Outstanding at 31 March 2016 and 31 March 2017	<u>45,000</u>	£2.00
Exercisable at 31 March 2016 and 31 March 2017	<u>-</u>	<u>28th June 2016 to 28th June 2023</u>

**27. Share capital and reserves**

	Called-up share capital	Share premium account	Capital redemption reserve	Investment in own shares	Translation reserve	Retained earnings	Minority interest	Total
	£	£	£	£	£	£	£	£
<b>Group</b>								
At 1 April 2016	833,541	609,690	5,163,332	(929,955)	54,470	6,328,290	1,155	12,060,523
Sale of investment in own shares	-	-	-	-	-	24,489	-	24,489
Cost of investment in own shares	-	-	-	25,453	-	(25,453)	-	-
Profit for the financial year	-	-	-	-	-	341,489	(91)	341,398
Exchange differences	-	-	-	-	4,492	926,461	90	931,043
At 31 March 2017	833,541	609,690	5,163,332	(904,502)	58,962	7,595,276	1,154	13,357,453
<b>Company</b>								
At 1 April 2016	833,541	609,690	5,163,332	(929,955)	-	105,567	-	5,782,175
Sale of investment in own shares	-	-	-	-	-	24,489	-	24,489
Cost of investment in own shares	-	-	-	25,453	-	(25,453)	-	-
(Loss) for the financial year	-	-	-	-	-	(271,415)	-	(271,415)
At 31 March 2017	833,541	609,690	5,163,332	(904,502)	-	(166,812)	-	5,535,249

The translation reserve represents the cumulative translation differences on the foreign currency net investments since the date of transition to IFRS.

**28. Cash generated from operations**

	2017 £	2016 £
Operating profit continuing operations	852,978	33,460
Depreciation	1,063,102	919,920
Loss (profit) on the sale of property, plant and equipment	643	(5,854)
Current asset investments valuation movement	(426,784)	201,054
Investment and development property valuation movement	(297,836)	(351,580)
Provision on current asset investments	12,135	32,735
Exchange differences	(70,124)	(433,966)
Cash generated from operations before movements in working capital	1,134,114	395,769
Operating leases	(151,755)	(54,421)
(Increase) in inventories	(6,184)	(6,133)
(Increase) in trade and other receivables	(457,809)	(606,289)
Increase (decrease) in trade and other payables	48,815	(9,475)
Cash generated from operations	567,181	(280,549)

**29. Analysis of net funds (debt)**

	2017 £	2016 £
Cash and cash equivalents	1,336,175	2,183,225
Bank loans and overdrafts	(2,315,981)	(2,049,180)
	(979,806)	134,045
Bank loans - non-current	(3,698,065)	(3,413,624)
Obligations under finance leases	-	(1,934)
Net (debt) funds	(4,677,871)	(3,281,513)

**30. Financial instruments****Capital risk management**

The group manages capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The capital structure of the group

consist of debt, which is analysed in note 29, and equity comprising issued share capital, reserves and retained earnings as disclosed in note 27. The gearing ratio is:

	2017	2016
	£	£
Net (debt) funds	(4,677,871)	(3,281,513)
Equity	13,357,453	12,060,523
Net funds (debt) to equity percentage	(35.0%)	(27.2%)

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and liability are disclosed in note 2 to the financial statements.

### Categories of financial instruments

		2017	2016
		£	£
Cash and cash equivalents		1,336,175	2,183,225
Bank loans and overdrafts - current		(2,315,981)	(2,049,180)
Bank loans - non-current		(3,698,065)	(3,413,624)
Obligations under finance leases		-	(1,934)
Net funds (debt)		<u>(4,677,871)</u>	<u>(3,281,513)</u>
Current assets investments		1,317,557	1,522,622
Other net operating assets		16,717,767	13,819,414
Total net assets		<u>13,357,453</u>	<u>12,060,523</u>
Net funds (debt)			
	Sterling	(23,358)	26,551
	Euro	(519,298)	(3,947,246)
	US Dollar	(4,141,545)	757,342
	Japanese Yen	-	(68,149)
	South African Rand	81	89,706
	Swiss Franc	-	(150,605)
	Tanzanian Shilling	6,249	10,888
		<u>(4,677,871)</u>	<u>(3,281,513)</u>
Current asset investments			
	Sterling	359,686	278,943
	Euro	36,031	117,085
	US Dollar	879,325	928,452
	Japanese Yen	26,039	58,637
	Swiss Franc	16,476	139,505
		<u>1,317,557</u>	<u>1,522,622</u>

The directors consider that the fair value of all assets and liabilities is not materially different from the book value.

### Financial risk management

The key risks that potentially impact on the group's results are credit risk, liquidity risk, interest rate risk and currency risk. The group's exposure to each of these risks and the management of that exposure is discussed below. There has been no change during the year, or since the year end to the type of financial risks faced by the group or to the management of those risks.

### Credit risk management

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy customers as a means of mitigating the risk of financial loss from defaults. Creditworthiness is verified by independent rating agencies when available. Credit exposure is controlled by credit limits that are reviewed and approved by senior management on a regular basis.

Trade receivables consist of a large number of customers spread across diverse industries and geographical locations. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The group does not have any significant credit risk exposure to any single counterparty or connected counterparties at the reporting date. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

### Liquidity risk management

The group manages liquidity risk by maintaining adequate cash reserves, by operating within its agreed banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of monetary assets and liabilities.

### Interest rate risk management

The group's activities expose it to the financial risks of changes in interest rates, however, interest charged on bank loans of \$5,124,517 is at fixed rates of 6.25% and 8%, R2,937,160 is at a fixed rate of 10.5% and 853,502 euros is at a fixed rate of 4%. Other group interest charged on bank loans is at floating rates based on the relevant LIBOR equivalent and the group endeavours to obtain the most competitive rates available.

### Currency risk management

The group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, nor against foreign currency transactions. The group generally does not enter into forward exchange contracts and it does not use financial instruments for speculative purposes.

## 31. Operating lease arrangements

At the balance sheet date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases that fall due as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Within one year	32,368	44,425
In the second to the fifth year inclusive	-	-
	<u>32,368</u>	<u>44,425</u>

Property lease payments represent rentals payable by the group for certain of its operating locations and offices. Leases are negotiated over various terms to suit the particular requirements at that time. Break clauses are included wherever appropriate and the above liability has been calculated from the balance sheet date to either the end of the lease or the first break clause, whichever is the earlier.

## 32. Related party transactions

At 31 March 2017, the group owed Charles Bailey £160,684 (2016: £21,044) on which there was no interest charged to the income statement (2016: £Nil).

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

## 33. Dividend payments

	<b>2017</b>		<b>2016</b>	
	<b>Per share</b>	<b>Total</b>	<b>Per share</b>	<b>Total</b>
	<b>Pence</b>	<b>£</b>	<b>Pence</b>	<b>£</b>
Final dividend for the year ended 31 March 2015 declared on 8 September 2015 and paid to shareholders on the register as at 23 October 2015 on 16 November 2015	-	-	20p	1,521,551
	<u>-</u>	<u>-</u>	<u>20p</u>	<u>1,521,551</u>

The directors do not propose to pay a final dividend in respect of the year ended 31 March 2017 (2016: £Nil).

### 34. Significant investment in subsidiaries

	<b>Percentage of ordinary share capital held</b>	<b>Principle activities</b>
<b>Industrial:</b>		
Bailey Industrial Engineering Limited (UK)	100%	Engineering
<b>Leisure:</b>		
Bay Travel Limited (UK)	100%	Travel agency
Industrial Investment Corporation SA Property Proprietary Limited (South Africa)	100%	Tourism
Leonardo Da Vinci Knowledge Tourism Ltd (Malta)	99%	Property development
IIC (Malta) Ltd (Malta)	100%	Property development
Cordura Limited (Tanzania)	100%	Tourism and serviced units
Kimbiji Bay Limited (Tanzania)	100%	Property development
<b>Other activities:</b>		
Industrial Investment Corporation Limited (Bermuda)	100%	Holding company
Kimbiji Bay Limited (Malta)	100%	Holding company

## Shareholder Information

### Five Year Financial Summary

	2017	2016	2015	2014	2013
	£	£	£	£	£
<b>Continuing operations</b>					
Revenue	<b>6,126,045</b>	<b>5,105,211</b>	<b>4,927,562</b>	4,380,696	5,312,962
<b>Continuing operations</b>					
Operating profit (loss) before exceptional items, investments activities and depreciation	<b>897,554</b>	<b>730,319</b>	<b>(75,334)</b>	<b>12,889</b>	319,535
Investment activities and other income	<b>1,019,169</b>	<b>216,207</b>	<b>202,109</b>	<b>(469,412)</b>	478,979
Depreciation	<b>(1,063,102)</b>	<b>(918,920)</b>	<b>(920,216)</b>	<b>(654,622)</b>	(726,610)
(Loss) profit on sale of plant and equipment	<b>(643)</b>	<b>5,854</b>	-	<b>(518)</b>	4,300
Profit on sale of property	-	-	<b>8,160,535</b>	-	-
	<b>852,978</b>	<b>33,460</b>	7,367,094	(1,111,663)	76,204
Net finance costs	<b>(444,704)</b>	<b>(432,003)</b>	<b>(489,801)</b>	<b>(296,743)</b>	(273,574)
Profit (loss) before taxation	<b>408,274</b>	<b>(398,543)</b>	6,877,293	(1,408,406)	(197,370)
Taxation	<b>(66,876)</b>	<b>(28,115)</b>	<b>(969,082)</b>	<b>5,676</b>	(11,832)
Minority interest	<b>91</b>	<b>344</b>	<b>(70,310)</b>	<b>1,882</b>	(425)
<b>Profit (loss) for the financial year</b>	<b>341,489</b>	<b>(426,314)</b>	5,837,901	(1,400,848)	(209,627)
Earnings (loss) per share	<b>4.47p</b>	<b>(5.60p)</b>	<b>76.74p</b>	<b>(18.41p)</b>	(2.76p)

<b>Registered Office</b>	C.H. Bailey plc Alexandra Docks Newport South Wales NP20 2NP	<b>Directors</b>	Mr Charles H. Bailey Sir William McAlpine, Bt Mr David Wilkinson Mr Christopher Fielding	<b>Auditors</b>	Haasco Limited Chartered Accountants 24 Bridge Street Newport South Wales NP20 4SF
<b>Registered Number</b>	190106	<b>Secretary</b>	Mr Bryan J. Warren	<b>AIM symbol</b>	BLEY
<b>Principal Bankers</b>	Barclays Bank plc 14 Commercial Street Newport South Wales NP20 1YG	<b>Financial Advisors and Brokers</b>	Arden Partners plc 125 Old Broad Street London EC2N 1AR	<b>Solicitors</b>	Squire Patton Boggs (UK) LLP Rutland House 148 Edmund Street Birmingham B3 2JR
<b>Registrar</b>	Computershare Investor Services plc P.O. Box 82 The Pavilions Bridgewater Road Bristol BS99 7NH	<b>Company Website</b>	www.chbaileypc.co.uk		



## Notice of Annual General Meeting

Notice is hereby given that the ninety-third annual general meeting of C.H. Bailey plc will be held at the Sofitel Hotel, Terminal 5 London Heathrow Airport, Hounslow, Middlesex TW6 2GD on the 11th September 2017 at 2.00pm. You will be asked to consider and pass resolutions 1-3 as ordinary resolutions and resolution 4 below as a special resolution.

### Ordinary resolutions

1. To receive and adopt the report of directors and the audited financial statements for the year ended 31 March 2017.
2. To re-appoint the auditors and authorise the directors to determine their remuneration.
3. To re-elect as a director of the Company Sir William McAlpine.

### Special resolution

4. That, the directors of the Company be given the general power to allot equity securities (as defined by section 560 of the Companies Act 2006 (the "Act")) for cash and/or to sell ordinary shares held by the Company as treasury shares as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with an offer of equity securities:
    - (i) to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - (ii) to holders of other equity securities as required by the rights of those securities or as the directors of the Company otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

- (b) the allotment (otherwise than pursuant to the paragraph above) of equity securities up to an aggregate nominal amount of £38,250.

The power granted by this resolution 4 will expire on the date that is 15 months from the date of this notice or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted (or treasury shares to be sold) after such expiry and the directors of the Company may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors of the Company to allot equity securities or to sell treasury shares as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities or sale of treasury shares already made or agreed to be made pursuant to such authorities.

Newport  
South Wales  
2 August 2017

By order of the board  
Bryan Warren  
*Secretary*

**Notes:**

- 1 *Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Computershare Investor Services plc on 0870 889 3277. You may complete your proxy form online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) in accordance with the on screen instructions.*
- 2 *To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Computeshare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or at the electronic address provided in Note 1, in each case no later than 2.00pm on the 7th September 2017.*
- 3 *The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.*
- 4 *If you wish to attend the meeting in person, please attend at 2.00pm on the 11th September 2017 bringing appropriate identification so that you can be identified by the Company's registrars. It is recommended that you arrive at least 15 minutes before the time appointed for the meeting to begin.*
- 5 *To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at close of business on the 7th September 2017.*
- 6 *CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.*
- 7 *In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 2.00pm on the 9th September 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.*
- 8 *CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.*
- 9 *The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.*
- 10 *Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.*