C. H. Bailey plc

Final Results for the year ended 31 March 2018

C. H. Bailey plc ("C. H. Bailey", the "Company" or together with its subsidiaries the "Group"), a diverse group of international businesses, with investments and operations in leisure, property and engineering with its current key markets being Tanzania, Malta and the UK announces its audited final results for the year ended 31 March 2018.

Group Financial Summary

Summary of group results	2018 £'000s	2017 £'000s	2016 £'000s	2015 £'000s
Revenue from continuing operations	5,646	6,126	5,105	4,927
Gross profit from continuing operations	1,775	1,763	1,529	1,162
Gross profit margin	31.44%	28.78%	29.95%	23.60%
Operating profit/(loss) from continuing operations, before investment activities and depreciation	546	898	730	(75)
Investment activities and profit on sale of property	2,497	1,019	216	8,363
Profit/(loss) before tax and minority interests	1,829	408	(399)	6,877
Profit/(loss) from continuing operations after tax	1,881	341	(426)	5,838
Earnings/(loss) per share from continuing operations	24.58p	4.47p	(5.60p)	76.74p
Earnings/(loss) per share from total operations	24.58p	4.47p	(5.60p)	76.74p

CH Bailey plc
Harry Sihra, Company Secretary
+44 (0) 1633 262 961

Arden Partners plc
Paul Shackleton, Ciaran Walsh, Alex Penney
+44 (0) 207 614 5900

Chairman's Statement

This has been a year in which a number of group objectives were achieved in Malta. The engineering business in South Wales has continued to progress. The down turn in tourism and economic growth in Tanzania and the fire in South Africa have affected the results in these countries.

It has also been a year in which we lost the services of one of our long-standing directors, Sir William McAlpine, who passed away in March 2018.

Results

The Group made a profit after tax of £1.9m (2017: £0.3m). The significant increase in profit is due to the sale of the property at 16-18 Charles Street and revaluation of the 30 St Barbara's Bastion property, both in Malta. Excluding Malta operations, underlying trading has deteriorated with an operating loss of £(0.1)m before profit from disposal of, and valuation gain on, property (2017: profit £0.6m).

Revenue for the period was £5.6m, a decrease of 8%, caused by a reduction in revenues from Africa. The gross profit margin improved from 28.8% to 31.4% as a result of cost controls. EBITDA increased to £2.9m from £1.9m primarily due to the uplift in the value of the Malta properties. Cash of £1.3m was generated from operations compared to £0.6m in 2017. Administrative expenses remain broadly in line with the previous year.

Africa

We are working very hard to maintain rentals in the serviced offices in Tanzania at their previous levels, in the face of reduced economic activity in the country. As leases have come to an end, we have been reconfiguring the offices to suit the increased demand from smaller tenants to replace them, but generally these have been at competitive rates yet remaining above the current market rates. At the year end, our occupancy rate in the serviced offices had reduced but, with a pipeline of opportunities, we hope to increase occupancy towards its previous levels.

The tourism business in Tanzania remained depressed during the year, although there are some hopeful signs of increased bookings in the coming year. Hospitality in South Africa showed improved revenue, despite the effects of a fire in February 2018, which damaged 60% of our bedstock. We expect to re-open as planned in mid-August with 5 Stars.

Plans for the development of the Galenia Estate and Little Bean Farm continue to make progress. In May 2017, we purchased two development properties in Claremont in Capetown. Development of these is proceeding more slowly due to land division and subsequent planning delays.

Malta

The objectives for our four properties in Malta were to develop them and achieve a regular rental income, or to enhance the properties and sell them at a good profit.

In February 2018, the St Barbara's Bastian property which had been used previously as group offices, was rented out for a 12 month residential contract and, as a result, has been treated as an investment property and re-valued at €3.5m, resulting in an uplift of €1.2m.

In March 2018, we sold the Charles Street property, with the planning permission we had obtained, for €1.725m, realising a profit of €0.9m.

Since the year end, we have rented the refurbished 123 St Lucia property to an agency of the Maltese Government on a 10 year lease, with a further 5 year option, for €115,000 per annum, index linked.

We await planning consent for the remaining property in Archbishop Street and continue to appraise other development property opportunities in Malta.

Engineering
With a new management team in place at Bailey Industrial Engineering (BIE) and a new lease agreed with Associated British Ports, our landlord in Newport, the business is in a good position to continue its recovery of the past two years. Our major customers continue to recognise the quality of our work with new orders and the business has achieved creditable growth in revenue, EBITDA and Operating Profit during the year.

Board and senior management
Non-Executive Director Sir William McAlpine Bt. passed away in March 2018. Sir William made a valuable contribution and will be missed by the Company. He has not been replaced on the Board. Bryan Warren has retired from his role of Company Secretary and has been replaced by Harry Sihra. The Board and Management of BIE has also seen some changes with Mike David retiring, and Bob Beale becoming MD to replace Brian Crockford who also has retired.

People
The Group is a service business which relies heavily on its employees to serve our customers. I would like to thank all of our teams across the world for their hard work and efforts during the past year.

Dividend
In view of the difficult trading conditions in Africa coupled with the Group's cash flow commitments over the next financial year, the Board is not recommending the payment of a dividend.

Outlook
We continue to seek and appraise development opportunities, particularly in Malta, and expect growth and further acquisitions to come from here.

We continue to face headwinds in Tanzania due to the tough economic climate. The UK engineering business is growing, but its future is uncertain due to the impact of Brexit on the manufacturing businesses on which it is reliant. In South Africa, the political change has stabilised global opinions of the country and helped support in a positive manner, from which we hope to benefit.

David Wilkinson
Chairman
3 August 2018

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
	£	£	£	£	£
Classes of business					
Engineering:					
2018	1,861,423	232,311	276,400	(86,855)	599,008
2017	1,597,994	153,517	229,101	(240,346)	332,221
Tourism and serviced units - Africa and United Kingdom agent:					
2018	3,784,635	521,985	1,275,806	(3,734,020)	6,868,847
2017	4,526,769	687,217	1,640,644	(4,739,405)	6,770,202
Investment and development property - Malta:					
2018	-	1,909,725	1,808,034	(1,101,656)	5,912,789
2017	1,282	40,311	75,045	(728,454)	4,087,975
Management:					
2018	-	(470,166)	(470,166)	(440,141)	856,410
2017	-	(28,067)	(28,067)	(305,841)	2,167,055
Total:					
2018	**5,646,058**	**2,193,855**	**2,890,074**	**(5,362,672)**	**14,237,054**
2017	6,126,045	852,978	1,916,723	(6,014,046)	13,357,453

Key properties

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

Malta:

- 30 St Barbara's Bastion	Residential rental
- 123 St Lucia Street	Office rental
- 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
-	Little Bean Farm	Agri-village development
-	Glendale Crescent	Residential development
-	Palmyra Road	Residential development

Africa operational performance
Revenue in Africa declined by 18% to £3.6m (2017: £4.4m). Commercial property in Dar es Salaam continues to be the main driver of our profitability in Africa. The serviced offices at Oyster Bay suffered declining occupancy levels, down on last year (91% at 31 March 2018 against 95% for 2017), while retail occupancy remained at 85% as last year. Revenue from the serviced offices and retail units was down from £3.2m to £2.6m. By reconfiguring the current office spaces to meet the increased demand from smaller tenants, we continue receiving interest, while the shopping centre is being refurbished to create a food court with 4 new food outlets.

Like last year, this performance was achieved despite the persistently difficult economic environment in Tanzania where we are facing an over-supply of office space and thin demand from customers. A number of rental agreements are coming to an end and we are negotiating with existing and potential new clients.

The Oyster Bay Hotel & Suites and Beho Beho revenue declined from £1.1m to £0.9m. The tourism and leisure market across East Africa had another tough year and we are not seeing much improvement going forward. We expect this situation to continue for some time yet.

Hospitality Revenue in South Africa remained at £0.2m despite the fire in February 2018. The fire seriously damaged 6 of our 10 guest rooms but we were lucky to be able to re-open the remaining 4 guest rooms within a week until the end of season in May. Construction works funded by insurance proceeds are underway and we expect to re-open for the new season as planned with 5 stars and 10 rooms in mid-August.

Plans for the development of the Galenia Estate and Little Bean Farm are making progress. Meanwhile investment in the property in Cape Town known as Glendale, has been delayed due to plans and title deeds requiring change for the planning permission.

Malta operational performance
Malta has performed well during the year with the sale of 16-18 Charles Street completed and the successful letting of 30 St Barbara's Bastion during the year. Operating profit was £1.9m in Malta, reflecting profit from the sale of 16-18 Charles Street and uplift in value of St Barbara's Bastion. Since the year-end, we have also let 123 St Lucia Street, the office development which was completed last year. We are hoping to get consent soon for 149 Archbishop Street which is currently the subject of a planning appeal. We are continuing to evaluate potential new properties for acquisition.

Engineering operational performance
Revenue derived from our engineering division in the UK, Bailey Industrial Engineering Limited (BIE), increased by 16.5% to £1.9m (2017: £1.6m), generating EBITDA of £276k, 20.5% higher than 2016. Operating profit was up 50% at £232k (2017: £154k). The turnaround of this business continues to be very encouraging and we have agreed the terms of a new lease with the landlord Associated British Ports.

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.

By order of the board
Harry Sihra
Secretary

Newport
South Wales
3 August 2018

The directors submit their report and accounts for the year ended 31 March 2018. 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 £1,881,431 (2017: £341,489).

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 2018 (2017: £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 2018, the market value of leasehold land and buildings was not less than £22,000,000 and the market value of freehold land and buildings was not significantly higher than the carrying amount.

Investment in own shares

On 26 September 2017, the company issued 7,520 ordinary shares of 10 pence to the directors in lieu of fees payable of £10,716 and on 31 March 2018, the company issued 5,750 ordinary shares of 10 pence to the directors in lieu of fees payable of £6,900. The company retains as treasury shares 671,959 shares of 10 pence at a cost of £886,986 (2017: 685,229 shares of 10 pence at a cost of £904,502).

Directors

The board of directors on 31 March 2018 consisted of Charles Bailey, David Wilkinson and Christopher Fielding. The director retiring by rotation and offering himself for re-election is David Wilkinson. No director had, in the financial year to 31 March 2018, 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 David Wilkinson and Christopher Fielding. On 4 March 2018 Sir William McAlpine passed away after a short illness. He had been a non-executive director of the company since April 1998 and his counsel will be sorely missed by the board.

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

	3 August 2018	**31 March 2018**	**31 March 2017**
Charles Bailey	5,347,286	5,347,286	5,347,286
David Wilkinson	22,773	19,173	15,960
Christopher Fielding	20,796	18,646	16,654

Substantial shareholdings

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

	3 August 2018	31 March 2018	31 March 2017
P. S. Allen	308,269	308,269	412,169
D. Newlands	229,000	229,000	229,000

Charitable and political contributions

During the year the group made a contribution of £49,619 (2017: £9,581) to charitable funds in Tanzania. No donations of a political nature were made (2017: £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 has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the board
Harry Sihra
Secretary

Newport
South Wales
3 August 2018

Statement of Corporate Governance

The board

At 3 August 2018, the board comprised one executive director: Charles Bailey (Chief Executive Officer), and two non-executives: David Wilkinson, Non-Executive Chairman, 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 2018	**Meeting type**		
Member	**Board**	**Audit & Risk Committee**	**Remuneration Committee**
Charles Bailey	9/9	-	1/1
Sir William McAlpine	5/8	-	-
David Wilkinson	9/9	2/2	1/1
Christopher Fielding	9/9	2/2	1/1
Bryan Warren	4/4	1/1	-
Harry Sihra	5/5	1/1	-

As of 3 August 2018, 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), David Wilkinson and Harry Sihra. 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 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

Opinion

We have audited the financial statements of C.H. Bailey plc (the 'parent company') and its subsidiaries ('the group') for the year ended 31 March 2018 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 notes to the financial statements, including a summary of significant accounting policies.

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.

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 2018 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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's ethical standards as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no key audit matters.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £85,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £5,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The audit was scoped to ensure that the audit team obtained sufficient and appropriate audit evidence in relation to significant operations of the group during the year ended 31 March 2018 and the appropriateness of the going concern assumption used in the preparation of the financial statements. This included the performance of full statutory audits on each of the UK subsidiary undertakings. Detailed audit instructions were issued to the auditors of the overseas reporting components where a full-scope approach had been identified. The instructions highlighted the significant risks to be addressed through the audit procedures and detailed the information that we required to be reported to the group audit team. The group audit team conducted a remote review of the work performed by the component auditors, and communicated with all component auditors throughout the planning, fieldwork and concluding stages of the local audits.

As part of our planning we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. Procedures were designed and performed to address the risk identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 by exception

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

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.

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 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Who we are reporting to

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.

Mr D.R. Thomas FCA
Senior Statutory Auditor

Statutory Auditor
Haasco Limited
Newport
3 August 2018

Consolidated Income Statement
for the year ended 31 March 2018

	Notes	2018	2017
		£	£
Continuing operations			
Revenue	**4**	5,646,058	6,126,045
Cost of sales		(3,871,010)	(4,363,181)
Gross profit		1,775,048	1,762,864
Administrative expenses		(2,078,001)	(1,929,055)
Investment activities and other income	**5**	2,496,808	1,019,169
Operating profit		2,193,855	852,978
EBITDA*		2,890,074	1,916,723
Depreciation		(848,509)	(1,063,102)
Profit (loss) on sale of property, plant and equipment		152,290	(643)
Operating profit		2,193,855	852,978
Finance income	**6**	14,680	4,336
Finance costs	**7**	(379,259)	(449,040)
Profit before taxation	**8**	1,829,276	408,274
Taxation	**11**	52,066	(66,876)
Non-controlling interest		89	91
Profit for the financial year		1,881,431	341,489
Earnings per share from continuing and total operations	**12**	24.58p	4.47p

***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 2018

	Notes	2018	2017
		£	£
Profit for the financial year		1,881,431	341,489
Items that may be reclassified to profit and loss:			
Exchange differences		(1,019,393)	930,953
Total comprehensive income for the year		862,038	1,272,442

Balance Sheets
as at 31 March 2018

	Notes	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Non-current assets					
Property, plant and equipment	**13**	14,688,914	14,664,816	-	-
Operating leases		231,522	250,049	-	-
Investments in subsidiary undertakings	**14**	-	-	1,018,637	982,187
Trade and other receivables	**15**	840,202	940,361	76,800	115,200
Deferred tax asset	**16**	538,145	272,219	206,550	205,170
		16,298,783	16,127,445	1,301,987	1,302,557
Current assets					
Inventory	**17**	27,505	26,035	-	-
Trade and other receivables	**18**	1,987,610	3,146,436	4,342,008	4,569,619
Current asset investments	**19**	987,580	1,317,557	332,160	359,683
Cash and cash equivalents	**20**	2,540,649	1,336,175	535,011	550,311
		5,543,344	5,826,203	5,209,179	5,479,613
Assets classified as held for sale		177,033	199,797	-	-
		5,720,377	6,026,000	5,209,179	5,479,613
Current liabilities					
Trade and other payables	**21**	(1,949,621)	(2,475,740)	(857,030)	(716,080)
Bank loans and overdrafts	**22**	(2,509,201)	(2,315,981)	(440,141)	(305,841)
Provisions	**24**	(319,000)	(225,000)	(319,000)	(225,000)
		(4,777,822)	(5,016,721)	(1,616,171)	(1,246,921)
Net current assets		942,555	1,009,279	3,593,008	4,232,692
Total assets less current liabilities		17,241,338	17,136,724	4,894,995	5,535,249
Non-current liabilities					
Bank loans	**22**	(2,853,471)	(3,698,065)	-	-
Deferred tax liabilities	**25**	(150,813)	(81,206)	-	-
Net assets		14,237,054	13,357,453	4,894,995	5,535,249
Equity					
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**	(886,986)	(904,502)	(886,986)	(904,502)
Translation reserve	**27**	58,829	58,962	-	-
Retained earnings	**27**	8,457,547	7,595,276	(824,582)	(166,812)
Surplus attributable to the parent's shareholders		14,235,953	13,356,299	4,894,995	5,535,249
Non-controlling interest	**27**	1,101	1,154	-	-
Total equity		14,237,054	13,357,453	4,894,995	5,535,249

These financial statements were approved by the board of directors on 3 August 2018 and were signed on its behalf by:

David Wilkinson
C*hairman*

Consolidated Cash Flow Statement

for the year ended 31 March 2018

	Notes	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash flows from operating activities					
Cash generated from operations	**28**	1,318,251	567,181	(162,525)	(70,862)
Interest paid		(379,259)	(449,040)	(10,602)	(7,635)
Overseas tax paid		(145,645)	(60,332)	-	-
Net cash flow from operating activities		793,347	57,809	(173,127)	(78,497)
Investing activities					
Sale of property, plant and equipment		1,595,227	7,862	-	-
Purchase of property, plant and equipment		(1,092,873)	(1,121,728)	-	-
Deposit on purchase of property	**13**	-	(600,000)	-	-
Sale of investments		717,321	1,255,205	-	-
Purchase of investments		(481,799)	(635,491)	-	-
Interest received		14,680	4,336	1	1
Net cash flow from investing activities		752,556	(1,089,816)	1	1
Financing activities					
Investment in own shares		17,616	24,489	17,616	24,489
Movement in bank loans		(655,392)	(218,378)	-	-
Movement in directors' loans		(79,818)	139,640	5,910	(11,531)
Movement in capital element of finance leases		-	(1,934)	-	-
Net cash flow from financing activities		(717,594)	(56,183)	23,526	12,958
Net increase (decrease) in cash and cash equivalents		828,309	(1,088,190)	(149,600)	(65,538)
Cash and cash equivalents at beginning of year	**29**	(979,806)	134,045	310,008	310,008
Exchange differences		182,945	(25,661)	-	-
Cash and cash equivalents at end of year	**29**	31,448	(979,806)	160,408	244,470
Reconciliation of net cash flow to movement in net funds (debt) in the year					
Net increase (decrease) in cash and cash equivalents		828,309	(1,088,190)	(149,600)	(65,538)
Net cash flow from the movement in debt		655,392	220,312	-	-
Movement in net funds (debt) during the year		1,483,701	(867,878)	(149,600)	(65,538)
Net (debt) funds at the beginning of the year		(4,677,871)	(3,281,513)	244,470	310,008
Exchange differences		372,147	(528,480)	-	-
Net (debt) funds at the end of the year	**29**	(2,822,023)	(4,677,871)	94,870	244,470

Consolidated Statement of Changes in Equity

for the year ended 31 March 2018

	Called-up share capital	Share premium account	Capital redemption reserve	Investment in own shares	Translation reserve	Retained earnings	Non-controlling interest	Total
	£	£	£	£	£	£	£	£
Group								
At 31 March 2016	833,541	609,690	5,163,332	(929,955)	54,470	6,328,290	1,155	12,060,523
Transactions with owners recorded directly in equity								
Sale of investment in own shares	-	-	-	-	-	24,489	-	24,489
Cost of investment in own shares	-	-	-	25,453	-	(25,453)	-	-
Income statement								
Profit for the financial year	-	-	-	-	-	341,489	(91)	341,398
Items that may be reclassified to profit and loss								
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
Transactions with owners recorded directly in equity								
Sale of investment in own shares	-	-	-	-	-	17,616	-	17,616
Cost of investment in own shares	-	-	-	17,516	-	(17,516)	-	-
Income statement								
Profit for the financial year	-	-	-	-	-	1,881,431	(89)	1,881,342
Items that may be reclassified to profit and loss								
Exchange differences	-	-	-	-	(133)	(1,019,260)	36	(1,019,357)
At 31 March 2018	833,541	609,690	5,163,332	(886,986)	58,829	8,457,547	1,101	14,237,054
Company								
At 31st March 2016	833,541	609,690	5,163,332	(929,955)	-	105,567	-	5,782,175
Transactions with owners recorded directly in equity								
Sale of investment in own shares	-	-	-	-	-	24,489	-	24,489
Cost of investment in own shares	-	-	-	25,453	-	(25,453)	-	-
Income statement								
(Loss) for the financial year	-	-	-	-	-	(271,415)	-	(271,415)
At 31st March 2017	833,541	609,690	5,163,332	(904,502)	-	(166,812)	-	5,535,249
Transactions with owners recorded directly in equity								
Sale of investment in own shares	-	-	-	-	-	17,616	-	17,616
Cost of investment in own shares	-	-	-	17,516	-	(17,516)	-	-
Income statement								
(Loss) for the financial year	-	-	-	-	-	(657,870)	-	(657,870)
At 31st March 2018	833,541	609,690	5,163,332	(886,986)	-	(824,582)	-	4,894,995

.

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 40. 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 2018 and the comparative period is for the 12 months ended 31 March 2017.

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.

Adoption of International Financial Reporting Standards

On 1 April 2006 the group adopted IFRS for the first time when advantage was taken of the following exemptions as permitted by 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 (effective 1 January 2016 not yet adopted by European Union);
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018);
- IFRS 16 Leases (effective 1 January 2019);
- Sale or contribution of assets between an investor and its associate or joint venture (amendment IFRS 10 and IAS 28 (deferred);
- Clarifications to IFRS 15 Revenue from contracts with customers (effective 1 January 2018);
- Amendments to IFRS 2 Classification and measurement of share-based payment transactions (effective 1 January 2018);
- Amendments to IFRS 4 Applying IFRS 9 to IFRS 4 Insurance contracts (effective 1 January 2018);
- Annual improvements to IFRS 2014-2016 Cycle – Relating to IAS 28 Investments in associates and joint ventures (effective 1 January 2017);
- Annual improvements to IFRS 2014-2016 Cycle – Relating to IFRS 12 Disclosure of interest in other entities (effective 1 January 2018 not yet adopted by European Union);
- IFRIC Interpretation on foreign currency transactions and advance considerations (effective 1 January 2018 not yet adopted by European Union).

The company has assessed the impact of these standards and 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 2018. 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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling 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.

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 fair value at the end of the reporting period. Dividend income is recognised in the income statement on a receipts basis.

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 3%
Leasehold buildings	5% or 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.

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% and loans held in euros which are disclosed in borrowings and are at a fixed rate of 4%. 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 is in the valuation of investment properties.

4. Segmental information

Classes of business

	Engineering		Tourism and serviced units		Investment and development property		Management		**Total**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Revenue	1,861,423	1,597,994	3,784,635	4,526,769	-	1,282	-	-	5,646,058	6,126,045
Profit (loss) before investment activities and other income	232,311	153,517	521,985	687,217	(303,558)	(257,525)	(753,691)	(749,400)	(302,953)	(166,191)
Investment activities and other income	-	-	-	-	2,213,283	297,836	283,525	721,333	2,496,808	1,019,169
Operating profit	232,311	153,517	521,985	687,217	1,909,725	40,311	(470,166)	(28,067)	2,193,855	852,978
EBITDA	276,400	229,101	1,275,806	1,640,644	1,808,034	75,045	(470,166)	(28,067)	2,890,074	1,916,723
(Depreciation) and profit (loss) on sale of plant and equipment	(44,089)	(75,584)	(753,821)	(953,427)	101,691	(34,734)	-	-	(696,219)	(1,063,745)
Operating profit	232,311	153,517	521,985	687,217	1,909,725	40,311	(470,166)	(28,067)	2,193,855	852,978
Net assets	599,008	332,221	6,868,847	6,770,202	5,912,789	4,087,975	856,410	2,167,055	14,237,054	13,357,453

Geographical segments

	United Kingdom		Africa		Malta		Rest of World		**Total**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Revenue	1,999,387	1,688,040	3,646,671	4,436,723	-	1,282	-	-	5,646,058	6,126,045
Profit (loss) before investment activities and other income	(320,891)	(195,477)	477,937	735,962	(303,558)	(246,711)	(156,441)	(459,965)	(302,953)	(166,191)
Investment activities and other income	(42,768)	312,284	445,380	(332,800)	2,212,501	297,836	(118,305)	741,849	2,496,808	1,019,169
Operating profit	(363,659)	116,807	923,317	403,162	1,908,943	51,125	(274,746)	281,884	2,193,855	852,978
EBITDA	(319,570)	192,391	1,677,138	1,356,589	1,807,252	85,859	(274,746)	281,884	2,890,074	1,916,723
(Depreciation) and profit (loss) on sale of plant and equipment	(44,089)	(75,584)	(753,821)	(953,427)	101,691	(34,734)	-	-	(696,219)	(1,063,745)
Operating profit	(363,659)	116,807	923,317	403,162	1,908,943	51,125	(274,746)	281,884	2,193,855	852,978
Net assets	700,277	850,407	6,772,411	6,603,227	5,912,789	4,087,975	851,577	1,815,884	14,237,054	13,357,493

5. Investment activities and other income

	2018	2017
	£	£
Current asset investments valuation movement	(94,455)	414,649
Investment property valuation movement	2,057,475	297,836
Profit on disposal of property	152,290	-
Net foreign exchange (loss) gain - inter-company loans	(21,199)	805,578
Net foreign exchange gain (loss) - monetary items	372,086	(549,740)
Income from current asset investments	30,611	50,846
	2,496,808	1,019,169

The investment property valuation movement of £2,057,474 includes the uplift in value of £926,725 to the realised net sale proceeds for Charles Street, Valletta which was sold on 7 March 2018.

6. Finance income

	2018	2017
	£	£
Bank deposits	14,680	4,336

7. Finance costs

	2018	2017
	£	£
Bank loans	379,259	448,395
Finance leases	-	645
	379,259	449,040

8. Profit before taxation

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

	2018	2017
	£	£
Depreciation - owned assets	884,509	1,063,102
(Profit) loss on sale of property, plant and equipment	(152,290)	643
Operating lease rental payments	15,601	32,368
Net foreign exchange (gain)	(350,887)	(255,838)

9. Auditors' remuneration

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

	2018	2017
	£	£
Auditor's fees		
- statutory audit of the consolidated accounts	29,415	29,175
- statutory audit of the group's subsidiaries	9,000	9,000
- interim review	9,550	9,550
Overseas auditors' fees		
- statutory audit	27,016	27,542

10. Employee information

The average number of employees employed during the year was:

	2018	2017
Management	19	21
Administration	12	14
Production	98	119
	129	154

Staff costs, including directors' remuneration:

	2018 £	2017 £
Wages and salaries	1,740,832	1,943,703
Social security costs	157,196	171,919
Pensions (defined contribution schemes)	7,618	7,585
	1,905,646	2,123,207

Total directors' emoluments were as follows:

	Fees	Salary	Total emoluments	
	2018 £	2018 £	2018 £	2017 £
Charles Bailey	29,854	196,742	226,596	384,713
Sir William McAlpine, Bt. (deceased)	24,000	-	24,000	24,000
David Wilkinson	30,000	-	30,000	30,000
Christopher Fielding	24,000	-	24,000	24,000
	107,854	196,742	304,596	462,713
The number of directors accruing retirement benefits under defined contribution schemes			1	1

The group does not operate any profit share or bonus schemes for directors. The 2017 emoluments for Charles Bailey included a contractual adjustment for prior years.

11. Taxation

	2018 £	2017 £
Current tax - overseas tax based on taxable profit for the year	145,645	60,332
Deferred tax (credit) charge on the origination and reversal of temporary differences	(197,711)	6,544
Total tax (credt) charge for the financial year attributable to total operations	(52,066)	66,876

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 19% as follows:

	2018 £	2017 £
Profit before taxation	1,829,276	408,274
Tax at the UK effective corporation tax rate of 19% (2017: 20%)	347,562	81,655
Effects of:		
Non-deductible expenses	4,656	10,134
Movement in overseas trading losses and effect of different overseas tax rates	(339,225)	230,242
Differences arising on capital sales and investment income		
Deferred tax on losses not recoverable	15,606	(85,776)

Effect of change in tax rate		
	(80,665)	(168,223)
	-	(1,156)
Total tax charge for the financial year	(52,066)	66,876

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016 and received Royal Assent on 15 September 2016.

12. Earnings 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 7,654,016 (2017: 7,637,031) which excludes own shares held. The share options in issue have no dilutive effect on the weighted average number of ordinary shares. Consequently the diluted earnings per share is the same as the basic earnings per share in both periods.

	Continuing earnings	Number of shares
2018		
Basic earnings / weighted average number shares	1,881,431	7,654,016
Basic earnings per share (pence)	24.58p	
2017		
Basic earnings / weighted average number shares	341,489	7,637,031
Basic earnings per share (pence)	4.47p	

13. Property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings under 50 years	Plant and equipment	Investment and development property	Total
	£	£	£	£	£
Cost					
At 1 April 2017	2,622,719	11,454,381	3,958,127	2,932,580	20,967,807
Exchange differences	64,462	(1,221,747)	(324,745)	89,744	(1,392,286)
Additions	738,772	37,379	72,831	243,891	1,092,873
Valuation movement	-	-	-	2,057,475	2,057,475
Reclassification	(1,562,902)	-	(175,891)	1,738,793	-
Disposals	(1,642)	(731,267)	-	(1,441,545)	(2,174,454)
At 31 March 2018	1,861,409	9,538,746	3,530,322	5,620,938	20,551,415
Depreciation					
At 1 April 2017	35,489	3,478,932	2,781,130	7,440	6,302,991
Exchange differences	843	(313,058)	(245,495)	228	(557,482)
Charge for year	12,460	449,460	335,990	50,599	848,509
Reclassification	(19,073)	-	(28,719)	47,792	-
Disposals	-	(731,267)	-	(250)	(731,517)
At 31st March 2018	29,719	2,884,067	2,842,906	105,809	5,862,501
Carrying value					
2018	**1,831,690**	**6,654,679**	**687,416**	**5,515,129**	**14,688,914**
2017	2,587,230	7,975,449	1,176,997	2,925,140	14,664,816

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).

On 19 February 2018, the group entered into an agreement to let the freehold property at St Barbara Bastion, Valletta, Malta. The property has been reclassified as an investment property.
On 7 March 2018, the group sold the investment property at Charles Street, Valletta, Malta for 1,750,000 euros, after deducting sale costs 1,638,750 euros (£1,441,295).

At 31 March 2018 the group's carrying value of plant and equipment held under finance leases and similar agreements was £Nil (2017: £Nil).

At 31 March 2018 the group did not have any non-cancellable contractual commitments for the acquisition of property, plant and equipment.

14. Investments in subsidiary undertakings

Company	**£**
At 31 March 2016	1,234,974
Impairment provision (charge)	(252,787)
At 31 March 2017	982,187
Impairment provision credit	36,450
At 31 March 2018	1,018,637

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

15. Trade and other receivables

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Prepayments and accrued income	76,800	115,200	76,800	115,200
Social security and other taxes	763,402	825,161	-	-
	840,202	940,361	76,800	115,200

16. Deferred tax asset

	Tax losses recognised	**Unremitted overseas earnings**	**Short term timing differences**	**Total**
	£	**£**	**£**	**£**
Group				
At 1 April 2017 at 19%	320,900	(53,436)	4,755	272,219
Exchange differences	1,016	-	77	1,093
Credited to income statement	215,406	53,436	(4,009)	264,833
At 31 March 2018 at 19%	537,322	-	823	538,145
Company				
At 1 April 2017 at 19%	258,606	(53,436)	-	205,170
Credited to income statement	(52,056)	53,436	-	1,380
At 31 March 2018 at 19%	206,550	-	-	206,550

Deferred tax at 31 March 2018 has been calculated using the substantively enacted rate of tax that is expected to apply when timing differences reverse. At 31 March 2018 the group had unused capital losses of £283,979 (2017: £429,325) 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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Raw materials and consumables	27,505	26,035	-	-

18. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	1,198,023	1,695,033	-	-
Amounts recoverable on long term contracts	104,273	146,065	-	-
Loans to group undertakings	-	-	4,271,147	4,505,394
Other debtors	33,278	637,719	9,958	8,000
Operating leases	7,065	33,494	-	-
Prepayments and accrued income	143,952	250,721	56,403	49,853
Social security and other taxes	501,019	383,404	4,500	6,372
	1,987,610	3,146,436	4,342,008	4,569,619

19. Current asset investments

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Listed investments	981,579	1,311,556	326,160	353,683
Unlisted investments	6,001	6,001	6,000	6,000
	987,580	1,317,557	332,160	359,683

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

20. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Cash at bank and in hand	2,380,049	1,120,919	535,011	550,311
Deposit accounts	160,600	215,256	-	-
	2,540,649	1,336,175	535,011	550,311

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

21. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	377,959	341,199	31,705	33,348
Deferred consideration on long term contracts	296,559	868,834	-	-
Loans from group undertakings	-	-	399,622	303,543
Social security and other taxes	193,015	253,178	15,590	26,615
Directors' loans	80,866	160,684	13,969	8,059
Accruals and deferred income	340,617	220,340	96,336	44,176
Other creditors	660,605	631,505	299,808	300,339
	1,949,621	2,475,740	857,030	716,080

22. Borrowings

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Current liabilities				
Bank loans and overdrafts	2,509,201	2,315,981	440,141	305,841
Non- current liabilities				
Bank loans	2,853,471	3,698,065	-	-
Bank loans				
Over one year and under two years	1,273,420	2,337,989	-	-
Over two years and under five years	772,396	785,787	-	-
Over five years	807,655	574,289	-	-
	2,853,471	3,698,065	-	-

23. Bank loans

	Tanzania	South Africa	Malta	2018	2017
Current liabilities				£	£
Bank loans	1,139,468	2,767	45,265	1,187,500	1,283,434
Non-current liabilities					
Over one year and under two years	1,128,584	51,549	93,287	1,273,420	2,337,989
Over two years and under five years	254,253	214,853	303,290	772,396	785,787
Over five years	-	147,841	659,814	807,655	574,289
	1,382,837	414,243	1,056,391	2,853,471	3,698,065
Total loans	2,522,305	417,010	1,101,656	4,040,971	4,981,499

Loan profile

Bank	Type	Rate	Maturity date	2018	Loan	Base currency
Tanzania				£	$	
I&M Bank Kenya	Fixed loan	6.25%	31/07/2019	1,462,079	2,046,834	US Dollar
I&M Bank Tanzania	Fixed loan	8.00%	31/10/2021	1,060,226	1,484,260	US Dollar
				2,522,305	3,531,094	

South Africa				£	R	
Nedbank Limited	Fixed loan	10.65%	30/11/2026	168,688	2,801,630	SA Rand
Investec	Fixed loan	9.50%	31/08/2027	248,322	4,214,232	SA Rand
				417,010	7,015,862	
Malta				£	Eu	
Lombard Bank Malta	Fixed loan	4.00%	30/09/2028	1,101,656	1,252,442	Euro

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

At the 31 March 2018 the group had £5,693,786 (2017: £6,988,166) of committed facilities of which £5,362,672 (2017: £6,014,046) 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 2018 were £412,289 (2017: £375,861). 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 2018 of £3,431,717 (2017: £4,079,033) 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 2018 of £417,010 (2017: £174,012) secured by a fixed charge over the freehold property in South Africa.

IIC (Malta) Ltd had borrowings at 31 March 2018 of £1,101,656 (2017: £728,524) secured by a fixed and floating charge over its assets and provided a pledge over a bank account for 180,000 euros.

24. Provisions

	Legal	**Dilapidations**	**Total**
	£	**£**	**£**
Group			
At 1 April 2017	225,000	-	225,000
Utilised	(164)	-	(164)
Charged to income statement	(87,336)	181,500	94,164
At 31 March 2018	137,500	181,500	319,000
Company			
At 1 April 2017	225,000	-	225,000
Utilised	(164)	-	(164)
Charged to income statement	(87,336)	181,500	94,164
At 31 March 2018	137,500	181,500	319,000

25. Deferred tax liabilities

	Revaluation surplus
	£
Group	
At 1 April 2017	81,206
Exchange differences	2,485
Charged to income statement	67,122

At 31 March 2018	150,813

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

	2018	2017
	£	£
Issued and fully paid:		
8,335,413 ordinary shares of 10p each	833,541	833,541

On 26 September 2017, the company issued 7,520 ordinary shares of 10 pence to the directors in lieu of fees payable of £10,716. On 31 March 2018, the company issued 5,750 ordinary shares of 10 pence to the directors in lieu of fees payable of £6,900. The company retains as treasury shares 671,959 shares of 10 pence at a cost of £886,986 (2017: 685,229 shares of 10 pence at a cost of £904,502). The company did not buy back any shares for cancellation during the year. At 31 March 2018, 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:

	Number	Market price and date of exercise
Outstanding at 31 March 2017 and 31 March 2018	45,000	£2.00
Exercisable at 31 March 2017 and 31 March 2018	-	28th June 2016 to 28th June 2023

27. Share capital and reserves

	Called-up share capital	Share premium account	Capital redemption reserve	Investment in own shares	Translation reserve	Retained earnings	Non-controlling interest	Total
	£	£	£	£	£	£	£	£
Group								
At 1 April 2017	833,541	609,690	5,163,332	(904,502)	58,962	7,595,276	1,154	13,357,453
Sale of investment in own shares	-	-	-	-	-	17,616	-	17,616
Cost of investment in own shares	-	-	-	17,516	-	(17,516)	-	-
Profit for the financial year	-	-	-	-	-	1,881,431	(89)	1,881,342
Exchange differences	-	-	-	-	(133)	(1,019,260)	36	(1,019,357)
At 31 March 2018	833,541	609,690	5,163,332	(886,986)	58,829	8,457,547	1,101	14,237,054
Company								
At 1 April 2017	833,541	609,690	5,163,332	(904,502)	-	(166,812)	-	5,535,249
Sale of investment in own shares	-	-	-	-	-	17,616	-	17,616
Cost of investment in own shares	-	-	-	17,516	-	(17,516)	-	-
(Loss) for the financial year	-	-	-	-	-	(657,870)	-	(657,870)
At 31 March 2018	833,541	609,690	5,163,332	(886,986)	-	(824,582)	-	4,894,995

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

	2018	2017
	£	£
Operating profit continuing operations	2,193,855	852,978
Depreciation	848,509	1,063,102
(Profit) loss on the sale of property, plant and equipment	(152,290)	643
Current asset investments valuation movement	94,455	(426,784)
Investment and development property valuation movement	(2,057,475)	(297,836)
Provision on current asset investments	-	12,135
Exchange differences	(504,054)	(70,124)
Cash generated from operations before movements in working capital	423,000	1,134,114
Operating leases	(9,963)	(151,755)
(Increase) in inventories	(1,470)	(6,184)
Decrease (increase) in trade and other receivables	1,258,985	(457,809)
(Decrease) increase in trade and other payables	(352,301)	48,815
Cash generated from operations	1,318,251	567,181

29. Analysis of net funds (debt)

	2018	2017
	£	£
Cash and cash equivalents	2,540,649	1,336,175
Bank loans and overdrafts	(2,509,201)	(2,315,981)
	31,448	(979,806)
Bank loans - non-current	(2,853,471)	(3,698,065)
Net (debt)	(2,822,023)	(4,677,871)

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:

	2018	2017
	£	£
Net (debt)	(2,822,023)	(4,677,871)
Equity	14,237,054	13,357,453
Net (debt) to equity percentage	(19.8%)	(35.0%)

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

	2018	2017
	£	£
Cash and cash equivalents	2,540,649	1,336,175
Bank loans and overdrafts - current	(2,509,201)	(2,315,981)
Bank loans - non-current	(2,853,471)	(3,698,065)

Net funds (debt)		(2,822,023)	(4,677,871)
Current assets investments		987,580	1,317,557
Other net operating assets		16,071,497	16,717,767
Total net assets		14,237,054	13,357,453
Net funds (debt)	Sterling	(35,453)	(23,358)
	Euro	571,684	(519,298)
	US Dollar	(2,893,201)	(4,141,545)
	South African Rand	(403,118)	81
	Tanzanian Shilling	(61,935)	6,249
		(2,822,023)	(4,677,871)
Current asset investments	Sterling	332,162	359,686
	Euro	46,656	36,031
	US Dollar	565,205	879,325
	Japanese Yen	26,405	26,039
	Swiss Franc	17,152	16,476
		987,580	1,317,557

The directors consider that the fair value of all assets and liabilities is not materially different from the book value other than the leasehold land and buildings as disclosed in the Directors' Report.

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 $3,531,094 is at fixed rates of 6.25% and 8%, R6,925,862 is at a fixed rate of 11.35% and 1,252,442 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:

	2018 £	2017 £
Within one year	-	32,368
In the second to the fifth year inclusive	-	-
	-	32,368

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. A new lease on the industrial property in Newport is currently subject to negotiation. Full provision has been made in the accounts for the cost of dilapidations.

32. Related party transactions

At 31 March 2018, the group owed Charles Bailey £80,866 (2017: £160,684) on which there was no interest charged to the income statement (2017: £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

The directors do not propose to pay a final dividend in respect of the year ended 31 March 2018 (2017: £Nil).

34. Significant investment in subsidiaries

	Percentage of ordinary share capital held	Principle activities
Industrial:		
Bailey Industrial Engineering Limited (UK)	100%	Engineering
Leisure:		
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
Other activities:		

Industrial Investment Corporation Limited (Bermuda)	100%	Holding company
Kimbiji Bay Limited (Malta)	100%	Holding company

Shareholder Information

Five Year Financial Summary

	2018	2017	2016	2015	2014
	£	**£**	**£**	**£**	**£**
Continuing operations					
Revenue	**5,646,058**	**6,126,045**	**5,105,211**	**4,927,562**	4,380,696
Continuing operations					
Operating profit (loss) before exceptional items, investments activities and depreciation	**697,846**	**897,554**	**730,319**	**(75,334)**	**12,889**
Investment activities and other income	**2,344,518**	**1,019,169**	**216,207**	**202,109**	**(469,412)**
Depreciation	**(848,509)**	**(1,063,102)**	**(918,920)**	**(920,216)**	**(654,622)**
(Loss) profit on sale of plant and equipment	**-**	**(643)**	**5,854**	**-**	**(518)**
Profit on sale of property	**-**	**-**	**-**	**8,160,535**	-
	2,193,855	**852,978**	**33,460**	7,367,094	(1,111,663)
Net finance costs	**(364,579)**	**(444,704)**	**(432,003)**	**(489,801)**	**(296,743)**
Profit (loss) before taxation	**1,829,276**	**408,274**	**(398,543)**	6,877,293	(1,408,406)
Taxation	**52,066**	**(66,876)**	**(28,115)**	**(969,082)**	**5,676**
Minority interest	**89**	**91**	**344**	**(70,310)**	**1,882**
Profit (loss) for the financial year	**1,881,431**	**341,489**	**(426,314)**	5,837,901	(1,400,848)
Earnings (loss) per share	**24.24p**	**4.47p**	**(5.60p)**	**76.74p**	**(18.41p)**

Notice of Annual General Meeting

Notice is hereby given that the ninety-fourth 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 2018 at 2.00pm.

A copy of the Notice of AGM together with the Annual Report will be available on the Company's website at www.chbaileyplc.co.uk and will be posted to shareholders along with the Company's Annual Report in due course.