C H Bailey plc

14 December 2017

Chairman's statement and unaudited financial results

for the six months ended 30th September 2017

C H Bailey Plc ("the Company" or "the Group"), the diverse group of businesses, with investments and operations around the world in Leisure, Property principally in Tanzania, South Africa and Malta and a UK engineering business, announces its interim results for the half year ended 30 September 2017.

Group Highlights

- Turnover down 7% to £2.7m (2016: £2.9m)
- Gross profit margin maintained at 30.2%
- Operating profit down 6% at £547k (2016: £577k)
- EBITDA at £1.0m is down 8% (2016: £1.1m)
- Finance costs are down 13% at £187k (2016: £215k)
- Overall profit £421k (2016: £361k)
- Retail and serviced offices in Tanzania under pressure
- Oyster Bay Suites uptake is improving year on year
- South Africa development and operations on track
- Malta property value grows, and “Promise of Sale” agreement signed for 16 Charles Street at €1.725m
- B.I.E, the UK engineering business sees improving revenues and margins

Chairman’s statement

Interim Statement and Results

Our interim results for the 6 month period ended 30 September 2017 show a profit for the period of £421,000 up 17% (2016: £361,000). Revenue has decreased by 7% to 2.7m (2016: £2.9m) with gross profit reducing by 7% to £818,000 (2016: £881,000). Gross profit margin has been maintained at 30.2%. Operating profit for the period is £547,000 (2016: £577,000), a reduction of 6%, and EBITDA is £1,006,000, down by 8% compared to 2016. Finance costs at £187,000 are down 13% compared to previous period.

These results show a combination of reduced revenues and profits from the serviced commercial and hospitality properties in Tanzania with adverse currency movements that have been partially mitigated by the improved trading in the UK engineering business, savings in administrative costs and increase in the value of the Malta property.

Administrative costs across the Group at £888,000 compared favourably to £944,000 in 2016, with savings made in Tanzania and South Africa in respect to head office costs.

Tanzania

Tanzania has seen a downturn in the economy due to uncertainty in the Oil & Gas and Mining sectors. This has affected international inward investment and demand for commercial real estate, yet we have been able to maintain both revenues and occupancy of our serviced offices but we have seen a drop in demand and revenues for retail space.

The Oyster Bay Suites, our serviced apartments in Dar es Salaam, continue to increase occupancy levels while our hospitality business in Tanzania is suffering from subdued tourist demand. We have trimmed our overheads in order to reduce the impact of the downturn and have benefited from a positive currency exchange movement which is reflected in the Group results.

South Africa

The Galenia Estate in Montagu has improved in terms of occupancy and rate. Customer reviews are excellent and forward bookings indicate the trend continuing as we enter the high season.

Together with our adjoining Little Bean Farm site, we continue to explore and appraise further development opportunities in the medium and long term.

The property we acquired in Cape Town (Glendale Terrace / Palmyra Road) with large gardens offers us potential to refurbish the existing house and build some additional accommodation units. Plans have been submitted to the local authorities for planning consent.

Malta

The Charles Street property, purchased for €585,000 in 2015, has been sold on a "Promise of Sale" agreement for €1.725m and is expected to complete in early 2018. As the contract is conditional, the profit has not been recognised in these results. The upward revision in the Malta property portfolio has contributed to the positive results.

The St Lucia Street and St Barbara Bastion properties are attracting interest from potential customers for sale or rental, and we are hoping to make progress. Our refurbishment plans for the Archbishop Street property are currently the subject of a planning appeal.

We believe there are further opportunities for our property development in Malta, and we will review each of these opportunities as they arise.

UK operations

Our UK engineering business, Bailey Industrial Engineering Limited is trading very well. The business is continuing to grow. Revenues are up by 16% to £847,000 and EBITDA is up by 78% to £140,000 as the overheads have been controlled. The business has a healthy forward order book as our key customers continue to pass on project work.

A new lease is being negotiated with Associated British Ports, which we hope to sign shortly.

Outlook

All the indications are that our UK engineering business will continue to perform well, Tanzania will continue providing positive returns in difficult times, while South Africa and Malta will offer the group further development opportunities.

David Wilkinson
Chairman
13 December 2017

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Consolidated Income Statement
for the six months ended 30 September 2017

	Notes	September 2017 £	September 2016 £	March 2017 £
Continuing operations				
Revenue	**4**	2,713,134	2,923,756	6,126,045
Cost of sales		(1,895,053)	(2,042,291)	(4,363,181)
Gross profit		818,081	881,465	1,762,864
Administrative expenses		(887,611)	(944,185)	(1,929,055)
Investment activities and other income	**5**	616,803	639,630	1,019,169
Operating profit		547,273	576,910	852,978
EBITDA*		1,005,883	1,100,589	1,916,723
Depreciation		(458,610)	(523,071)	(1,063,102)
(Loss) on sale of plant and equipment		-	(608)	(643)
Operating profit		547,273	576,910	852,978
Finance income	**6**	9,633	901	4,336
Finance costs	**7**	(187,135)	(215,185)	(449,040)
Profit before taxation		369,771	362,626	408,274
Taxation		50,943	(1,869)	(66,876)
Minority interest		57	59	91
Profit for the financial period		420,771	360,816	341,489
Earnings per share from continuing and total operations	**8**	5.50p	4.73p	4.47p

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

Consolidated Statement of
Comprehensive Total Income
for the six months ended 30 September 2017

	September 2017 £	September 2016 £	March 2017 £
Profit for the financial period	420,771	360,816	341,489
Sale of investment in own shares	10,716	-	24,489
Items that may be reclassified to profit and loss:			
Exchange differences	(557,308)	822,397	930,953
Total comprehensive income for the period	(125,821)	1,183,213	1,296,931

Consolidated Balance Sheet
as at 30 September 2017

	Notes	September 2017 £	September 2016 £	March 2017 £
Non-current assets				
Property, plant and equipment	**9**	15,055,952	14,461,315	14,664,816
Operating leases		232,955	92,979	250,049
Trade and other receivables		940,568	855,895	940,361
Deferred tax asset		424,898	268,460	272,219
		16,654,373	15,678,649	16,127,445
Current assets				
Inventory		27,305	19,976	26,035
Trade and other receivables		1,877,446	2,708,367	3,146,436
Current asset investments	**10**	1,130,238	1,755,653	1,317,557
Cash and cash equivalents	**11**	1,175,109	1,771,745	1,336,175
		4,210,098	6,255,741	5,826,203
Assets classified as held for sale		185,775	197,811	199,797
		4,395,873	6,453,552	6,026,000
Current liabilities				
Trade and other payables		(1,970,255)	(3,033,874)	(2,475,740)
Bank loans and overdrafts	**13**	(2,257,885)	(2,067,491)	(2,315,981)
Provisions		(225,000)	(225,000)	(225,000)
		(4,453,140)	(5,326,365)	(5,016,721)
Net current assets (liabilities)		(57,267)	1,127,187	1,009,279
Total assets less current liabilities		16,597,106	16,805,836	17,136,724
Non-current liabilities				
Bank loans	**13**	(3,204,784)	(3,503,549)	(3,698,065)
Deferred tax liabilities		(160,709)	(46,013)	(81,206)
Net assets		13,231,613	13,256,274	13,357,453
Equity				
Called-up share capital	**11**	833,541	833,541	833,541
Share premium account		609,690	609,690	609,690
Capital redemption reserve		5,163,332	5,163,332	5,163,332
Investment in own shares		(894,576)	(915,616)	(904,502)
Translation reserve		60,311	59,535	58,962
Retained earnings		7,458,180	7,504,591	7,595,276
Surplus attributable to the parent's shareholders		13,230,478	13,255,073	13,356,299
Minority interest		1,135	1,201	1,154
Total equity		13,231,613	13,256,274	13,357,453

Consolidated Cash Flow Statement

for the six months ended 30 September 2017

	Notes	September 2017 £	September 2016 £	March 2017 £
Cash flows from operating activities				
Cash generated from operations	**12**	1,011,745	625,669	567,181
Interest paid		(187,135)	(215,185)	(449,040)
Overseas tax paid		(30,045)	(30,380)	(60,332)
Net cash flow from operating activities		794,565	380,104	57,809
Investing activities				
Sale of property, plant and equipment		-	6,586	7,862
Purchase of property, plant and equipment		(760,300)	(779,658)	(1,121,728)
Deposit on purchase of property		-	-	(600,000)
Sale of investments		541,905	22,186	1,255,205
Purchase of investments		(446,112)	(21,372)	(635,491)
Interest received		9,633	901	4,336
Net cash flow from investing activities		(654,874)	(771,357)	(1,089,816)
Financing activities				
Investment in own shares		10,716	12,492	24,489
Movement in bank loans		(324,642)	(268,823)	(218,378)
Movement in directors' loans		(3,800)	222,155	139,640
Movement in capital element of finance leases		-	(1,934)	(1,934)
Net cash flow from financing activities		(317,726)	(36,110)	(56,183)
Net (decrease) in cash and cash equivalents		(178,035)	(427,363)	(1,088,190)
Cash and cash equivalents at beginning of period		(979,806)	134,045	134,045
Exchange differences		75,065	(2,428)	(25,661)
Cash and cash equivalents at end of period	**13**	(1,082,776)	(295,746)	(979,806)
Reconciliation of net cash flow to movement in net (debt) in the period				
Net (decrease) in cash and cash equivalents		(178,035)	(427,363)	(1,088,190)
Net cashflow from the movement in debt		324,642	270,757	220,312
		146,607	(156,606)	(867,878)
Movement in net (debt) during the period				
Net (debt) at the beginning of period		(4,677,871)	(3,281,513)	(3,281,513)
Exchange differences		243,704	(361,176)	(528,480)
Net (debt) at the end of period	**13**	(4,287,560)	(3,799,295)	(4,677,871)

Consolidated Statement of Changes in Equity

for the six months ended 30 September 2017

	Called-up share capital	Share premium account	Capital redemption reserve	Investment in own shares	Translation reserve	Retained earnings	Minority interest	Total
	£	£	£	£	£	£	£	£
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 on investment in own shares	-	-	-	-	-	24,489	-	24,489
Cost of investment in own shares	-	-	-	25,453	-	(25,453)	-	-
Income statement								
Profit for the financial period	-	-	-	-	-	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 on investment in own shares	-	-	-	-	-	10,716	-	10,716
Cost of investment in own shares	-	-	-	9,926	-	(9,926)	-	-
Income statement								
Profit for the financial period	-	-	-	-	-	420,771	(57)	420,714
Items that may be reclassified to profit and loss								
Exchange differences	-	-	-	-	1,349	(558,657)	38	(557,270)
At 30 September 2017	833,541	609,690	5,163,332	(894,576)	60,311	7,458,180	1,135	13,231,613

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.

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 6 months ended 30 September 2017 and the comparative period is for the 6 months ended 30 September 2016.

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

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

- The requirements of IFRS 3 – Business Combinations – have not applied to business combinations that occurred before the date of transition to IFRS;

- The carrying value of freehold and leasehold properties are based on previously adopted UK GAAP valuations and these are now taken as deemed cost on transition to IFRS.

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

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

Future adoption of International Financial Reporting Standards

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

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

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

2. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 30 September 2017. Control is achieved where the company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

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

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

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

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

Business combinations and goodwill

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

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

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

Investments in associates and trade investments

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

Property, plant and equipment

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

Property:	
Freehold buildings	2%
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. Deferred tax assets and liabilities are calculated using tax rates that have been enacted, or substantively enacted, by the year end balance sheet date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities. Deferred tax assets and liabilities are not discounted.

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

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

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

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

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

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

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

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

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

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

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

Other financial liabilities

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

Bank loans

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

Provisions

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

Net funds

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

Revenue recognition

Revenue

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

Investment and interest income

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

Foreign currencies

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

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

Operating profit

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

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

Other gains and losses

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

Finance costs

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

3. Use of critical accounting assumptions and estimates

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

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

4. Segmental information

	Revenue continuing operations	Operating profit (loss) continuing operations	Depreciation and loss (profit) on sale of plant and equipment	EBITDA	Net assets
	£	£	£	£	£
Classes of business					
Engineering:					
September 2017	846,902	111,347	29,000	140,347	335,665
September 2016	730,468	40,043	39,000	79,043	233,063
March 2017	1,597,994	153,517	75,584	229,101	332,221
Tourism and serviced units:					
September 2017	1,866,232	273,801	403,565	677,366	6,880,888
September 2016	2,189,324	367,718	473,430	841,148	6,312,883
March 2017	4,526,769	687,217	953,427	1,640,644	6,770,202
Investment and development property:					
September 2017	-	509,524	26,045	535,569	4,637,662
September 2016	3,964	(88,289)	11,249	(77,040)	4,025,896
March 2017	1,282	40,311	34,734	75,045	4,087,975
Management:					
September 2017	-	(347,399)	-	(347,399)	1,377,398
September 2016	-	257,438	-	257,438	2,684,432
March 2017	-	(28,067)	-	(28,067)	2,167,055
Total:					
September 2017	**2,713,134**	**547,273**	**458,610**	**1,005,883**	**13,231,613**
September 2016	2,923,756	576,910	523,679	1,100,589	13,256,274
March 2017	6,126,045	852,978	1,063,745	1,916,723	13,357,453
Geographical segments					
United Kingdom:					
September 2017	884,054	(169,902)	29,000	(140,902)	644,374
September 2016	774,970	16,814	39,000	55,814	827,884
March 2017	1,688,040	116,807	75,584	192,391	850,407
Africa:					
September 2017	1,829,080	348,707	403,565	752,272	6,784,749
September 2016	2,144,822	112,932	473,430	586,362	6,048,740
March 2017	4,436,723	403,162	953,427	1,356,589	6,603,227
Malta and Rest of the World:					
September 2017	-	368,468	26,045	394,513	5,802,490
September 2016	3,964	447,164	11,249	458,413	6,379,650
March 2017	1,282	333,009	34,734	367,743	5,903,819
Total:					
September 2017	**2,713,134**	**547,273**	**458,610**	**1,005,883**	**13,231,613**
September 2016	2,923,756	576,910	523,679	1,100,589	13,256,274
March 2017	6,126,045	852,978	1,063,745	1,916,723	13,357,453

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5. Investment activities and other income

	September 2017 £	September 2016 £	March 2017 £
Current asset investments valuation movement	(91,526)	245,981	426,784
Investment and development property valuation movement	639,960	-	297,836
(Increase) in provision on current asset investments	-	(12,135)	(12,135)
Net foreign exchange (loss) gain - inter-company loans	(196,184)	656,250	805,578
Net foreign exchange gain (loss)- monetary items	225,347	(328,661)	(549,740)
Income from current asset investments	39,206	78,195	50,846
	616,803	639,630	1,019,169

6. Finance income

	September 2017 £	September 2016 £	March 2017 £
Bank deposits	9,633	901	4,336

7. Finance costs

	September 2017 £	September 2016 £	March 2017 £
Bank loans	187,135	214,553	448,395
Finance leases	-	632	645
	187,135	215,185	449,040

8. 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 7,650,389 (September 2016: 7,631,438) (March 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.

9. 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	(33,507)	(752,534)	(213,640)	97,761	(901,920)
Additions	529,028	-	29,652	201,620	760,300
Valuation movement	-	-	(83,933)	723,893	639,960
Disposals	-	(731,267)	-	-	(731,267)
At 30 September 2017	3,118,240	9,970,580	3,690,206	3,955,854	20,734,880
Depreciation					
At 1 April 2017	35,489	3,478,932	2,781,130	7,440	6,302,991
Exchange differences	(676)	(192,827)	(158,151)	248	(351,406)
Charge for year	9,252	236,474	189,347	23,537	458,610
Disposals	-	(731,267)	-	-	(731,267)
At 30 September 2017	44,065	2,791,312	2,812,326	31,225	5,678,928
Carrying value					
September 2017	**3,074,175**	**7,179,268**	**877,880**	**3,924,629**	**15,055,952**
March 2017	2,587,230	7,975,449	1,176,997	2,925,140	14,664,816

10. Current asset investments

	September 2017	September 2016	March 2017
	£	£	£
Listed investments	1,124,237	1,749,653	1,311,556
Unlisted investments	6,001	6,000	6,001
	1,130,238	1,755,653	1,317,557

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

11. Called-up share capital

	September 2017	September 2016	March 2017
	£	£	£
Issued and fully paid: 8,335,413 ordinary shares of 10p each	833,541	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. The company retains as treasury shares 677,709 shares of 10 pence at a cost of £894,576 (March 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 30 September 2017, the company has one class of ordinary shares, which carry no right to fixed income. The share options outstanding have been recognised in accordance with IFRS 2.

12. Cash generated from operations

	September 2017 £	September 2016 £	March 2017 £
Operating profit continuing operations	547,273	576,910	852,978
Depreciation	458,610	523,071	1,063,102
Loss on the sale of property, plant and equipment	-	608	643
Current asset investments valuation movement	91,526	(245,981)	(426,784)
Investment and development property valuation movement	(639,960)	-	(297,836)
Provision on current asset investments	-	12,135	12,135
Exchange differences	(211,078)	(234,447)	(70,124)
Cash generated from operations before movements in working capital	246,371	632,296	1,134,114
Operating leases	(454)	4,338	(151,755)
(Increase) in inventories	(1,270)	(125)	(6,184)
Decrease (increase) in trade and other receivables	1,268,783	(535,274)	(457,809)
(Decrease) increase in trade and other payables	(501,685)	524,434	48,815
Cash generated from operations	1,011,745	625,669	567,181

13. Analysis of net funds (debt)

	September 2017 £	September 2016 £	March 2017 £
Cash and cash equivalents	1,175,109	1,771,745	1,336,175
Bank loans and overdrafts	(2,257,885)	(2,067,491)	(2,315,981)
	(1,082,776)	(295,746)	(979,806)
Bank loans - non-current	(3,204,784)	(3,503,549)	(3,698,065)
Net (debt) funds	(4,287,560)	(3,799,295)	(4,677,871)

14. 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