Company registration number: 00190106

C.H. Bailey plc

Interim Accounts

2018

Group Highlights

Overall

- **Value of the Malta property increases and improves the Company's assets and Income Statement value**
- **Operations in Tanzania affected by reduced economic activity in the country**
- **Revenue in South Africa reduced due to the fire at Galenia in February 2018 with anticipated recovery in the second half of the financial year**
- **Growth in revenues at B.I.E, the UK engineering business**

Finance

- **Group Revenue is down 4% to £2,609k (2017: £2,713k)**
- **Gross profit margin is down to 28.9% (2017: 30.2%)**
- **EBITDA at £1,188k is up 18% (2017: £1,006k)**
- **Group Operating profit is up 42% at £776k (2017: £547k)**
- **Overall profit is up 43% at £601k (2017: £421k)**

Group Financial Summary

Summary of interim group results	2018 £'000s	2017 £'000s	2016 £'000s	2015 £'000s
Revenue from continuing operations	2,609	2,713	2,924	2,395
Gross profit from continuing operations	753	818	881	628
Gross profit margin	28.9%	30.2%	30.2%	26.2%
EBITA	1,188	1.006	1,101	(52)
Operating profit/(loss)	776	547	577	(494)
Operating profit/(loss) from continuing operations, before exceptional items, investment activities and depreciation	160	389	461	309
Profit/(loss) before tax and non-controlling interest	592	370	363	(718)
Profit/(loss) from continuing operations after tax	601	421	361	(717)
Earnings/(loss) per share from continuing operations	7.85p	5.50p	4.73p	(9.43)p
Earnings/(loss) per share from total operations	7.85p	5.50p	4.73p	(9.43p)

Overview

Financial Information

Chairman's Statement

C.H. Bailey Plc ("CH Bailey", the "Company" or the "Group"), announces its interim results for the half year ended 30 September 2018.

Interim Statement and Results

Our interim results for the six month period ended 30 September 2018 show a profit for the period of £601k, up 43% (2017: £421k). The increase was driven principally by an improvement in the value of the Malta property portfolio, which increased by £1,026k (2017: increase of £640k). Revenue has decreased by 4% to 2,609k (2017: £2,713k) with gross profit reducing by 8% to £753k (2017: £818k). Gross profit margin has decreased to 28.9% (2017: 30.2%). Operating profit for the period is up 42% at £776k (2017: £547k) and EBITDA is up 18% at £1,188k (2017: £1,006k). An increase in property operating costs in Malta, together with costs incurred in providing strategic advice to a potentially complementary hospitality project in Tanzania, pushed administrative expenses up to £1,005k from £888k. Finance costs at £185k are slightly down compared to £187k in 2017.

Tanzania

The Tanzanian economy has continued to decline and suffers from a lack of public spending and uncertainty. This has led to a decline in investment and economic activity in general across all sectors. Demand for commercial real estate remains low, and our serviced offices and retail property in Dar es Salaam are being affected as a direct result of the weaker demand. Despite this background, we continue to remain a destination for new business and have adapted some of the office units to suit smaller occupiers. The retail units have been reconfigured to incorporate a food court, which is proving to be popular. Overall occupancy for the offices and retail units at the end of September 2018 was 78% and this has increased since then as we have attracted new tenants but it remains a volatile market going forward.

The Oyster Bay Suites have witnessed reduced demand in line with the lower economic activity in the country. Tourism has not been as adversely affected. Beho Beho has seen an increase in occupancy whereas The Oyster Bay Hotel in Dar es Salaam has seen a reduced number of bookings compared to the same period in 2017.

We are involved in an advisory capacity in new hospitality development projects in Tanzania which will benefit our business in the medium term and earn us some fee income in the short term.

South Africa

The fire at Galenia in February 2018, which affected 60% of our bedstock, caused a slow-down in our forward bookings for this season until the restoration work had been finished and the property re-opened. We opened the property in August 2018 for the start of the new season, with all the rooms rebuilt to a 5 star standard from the South African Tourist Board. Bookings have been brisk after a slow start and we are now looking to beat the bookings total of last year, which were curtailed by the fire at the height of the tourist season.

Development plans for Galenia and the adjoining Little Bean Farm continue but are progressing slowly. We continue to invest in the infrastructure of both properties, including an upgrade to the electricity supply, water boreholes and pumping system.

Work continues at the property in Cape Town (Glendale Terrace/Palmyra Road). We hope to complete the refurbishment in early 2019 and take it to the market for sale.

Malta

The refurbished St Lucia Street property has been rented to the Maltese Government for 10 years at a rent of €115,000 per annum, with index-linked rent reviews.

The St Barbara Bastion property is currently rented on a 12-month residential lease expiring March 2019, which we will seek to renew or re-let.

Planning permission for the Archbishop Street property has been obtained after appeal, and we are now working on the refurbishment plans for work to commence in early 2019. After the planning consent was granted, we have reviewed the property portfolio in Malta and increased its value, which has contributed £1,025k to investment activities and other income in the Consolidated Income Statement.

Following the sale of the Charles Street property in March 2018, the Company repaid the Lombard Bank loan. We are currently in discussion with Lombard Bank regarding a new facility to be secured on the existing property portfolio while we continue to seek new development opportunities in Valletta.

UK operations

Our UK engineering business, Bailey Industrial Engineering Limited, is continuing to grow. Revenues are up by 10% to £929k for the period under review. EBITDA is down to £83k (2017: £111k) due to the type of orders worked on during this time. The order book for the second half of the year is solid with a different mix of work, so we hope to see the margins restored to previous levels.

The new lease with Associated British Ports has been agreed and the allied works relating to the dilapidations of the old lease are agreed with the work expected to commence in January 2019.

Outlook

We will continue to maintain our market position in Tanzania. Our involvement in new development projects in an advisory capacity will indirectly help our hospitality business and we remain positive in our potential future growth in the country.

South Africa is expected to remain steady as the country stabilises and attracts new local and inward investment. We hope to locate and benefit from further property development opportunities in Cape Town and to make progress with the development plans in Montagu.

Malta still grows in international economic stature. We hope to find further development sites in Valletta or other opportunities on the island, where we have invested for over 50 years and know the local market well.

We believe there will be continued growth in the UK engineering business. However the continued uncertainty of Brexit may impact our customers' business and therefore could have an adverse effect on our business growth.

Operating in emerging markets and niche industries, like heavy engineering in the UK, it is difficult to predict the future but we remain positive and cautiously optimistic.

David Wilkinson
Chairman
6 December 2018

Consolidated Income Statement
for the six months ended 30 September 2018

	Notes	September 2018 £	September 2017 £	March 2018 £
Continuing operations				
Revenue	**4**	2,609,371	2,713,134	5,646,058
Cost of sales		(1,856,377)	(1,895,053)	(3,871,010)
Gross profit		752,994	818,081	1,775,048
Administrative expenses		(1,005,193)	(887,611)	(2,078,001)
Investment activities and other income	**5**	1,028,031	616,803	2,496,808
Operating profit		775,832	547,273	2,193,855
EBITDA*		1,187,976	1,005,883	2,890,074
Depreciation		(412,144)	(458,610)	(848,509)
Profit on sale of plant and equipment		-	-	152,290
Operating profit		775,832	547,273	2,193,855
Finance income	**6**	1,158	9,633	14,680
Finance costs	**7**	(185,034)	(187,135)	(379,259)
Profit before taxation		591,956	369,771	1,829,276
Taxation		8,301	50,943	52,066
Non-controlling interest		1,115	57	89
Profit for the financial period		601,372	420,771	1,881,431
Earnings per share from continuing and total operations	**8**	7.85p	5.50p	24.58p

*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 six months ended 30 September 2018

	September 2018 £	**September 2017 £**	**March 2018 £**
Profit for the financial period	601,372	420,771	1,881,431
Sale of investment in own shares	-	10,716	17,616
Items that may be reclassified to profit and loss:			
Exchange differences	354,152	(557,308)	(1,019,393)
Total comprehensive income for the period	955,524	(125,821)	879,654

Consolidated Balance Sheet
as at 30 September 2018

	Notes	September 2018 £	September 2017 £	March 2018 £
Non-current assets				
Property, plant and equipment	**9**	15,818,401	15,055,952	14,688,914
Operating leases		253,823	232,955	231,522
Trade and other receivables		904,550	940,568	840,202
Deferred tax asset		641,620	424,898	538,145
		17,618,394	16,654,373	16,298,783
Current assets				
Inventory		28,460	27,305	27,505
Trade and other receivables		2,222,990	1,877,446	1,987,610
Current asset investments	**10**	729,875	1,130,238	987,580
Cash and cash equivalents	**11**	1,481,048	1,175,109	2,540,649
		4,462,373	4,210,098	5,543,344
Assets classified as held for sale		187,752	185,775	177,033
		4,650,125	4,395,873	5,720,377
Current liabilities				
Trade and other payables		(2,322,105)	(1,970,255)	(1,949,621)
Bank loans and overdrafts	**13**	(2,361,113)	(2,257,885)	(2,509,201)
Provisions		(314,942)	(225,000)	(319,000)
		(4,998,160)	(4,453,140)	(4,777,822)
Net current assets (liabilities)		(348,035)	(57,267)	942,555
Total assets less current liabilities		17,270,359	16,597,106	17,241,338
Non-current liabilities				
Bank loans	**13**	(1,844,054)	(3,204,784)	(2,853,471)
Deferred tax liabilities		(234,828)	(160,709)	(150,813)
Net assets		15,191,477	13,231,613	14,237,054
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		(886,986)	(894,576)	(886,986)
Translation reserve		59,883	60,311	58,829
Retained earnings		9,412,017	7,458,180	8,457,547
Surplus attributable to the parent's shareholders		15,191,477	13,230,478	14,235,953
Non-controlling interest		-	1,135	1,101
Total equity		15,191,477	13,231,613	14,237,054

These financial statements were approved by the board of directors on 6 December 2018 and were signed on its behalf by:

David Wilkinson
C*hairman*

Consolidated Cash Flow Statement
for the six months ended 30 September 2018

	Notes	September 2018	September 2017	March 2018
		£	£	£
Cash flows from operating activities				
Cash generated from operations	**12**	383,896	1,011,745	1,318,251
Interest paid		(185,034)	(187,135)	(379,259)
Overseas tax paid		(29,926)	(30,045)	(145,645)
Net cash flow from operating activities		168,936	794,565	793,347
Investing activities				
Sale of property, plant and equipment		-	-	1,595,227
Purchase of property, plant and equipment		(212,525)	(760,300)	(1,092,873)
Sale of investments		318,940	541,905	717,321
Purchase of investments		(72,359)	(446,112)	(481,799)
Interest received		1,158	9,633	14,680
Net cash flow from investing activities		35,214	(654,874)	752,556
Financing activities				
Investment in own shares		-	10,716	17,616
Movement in bank loans		(1,085,011)	(324,642)	(655,392)
Movement in directors' loans		67,083	(3,800)	(79,818)
Net cash flow from financing activities		(1,017,928)	(317,726)	(717,594)
Net (decrease) increase in cash and cash equivalents		(813,778)	(178,035)	828,309
Cash and cash equivalents at beginning of period		31,448	(979,806)	(979,806)
Exchange differences		(97,735)	75,065	182,945
Cash and cash equivalents at end of period	**13**	(880,065)	(1,082,776)	31,448
Reconciliation of net cash flow to movement in net (debt) in the period				
Net (decrease) increase in cash and cash equivalents		(813,778)	(178,035)	828,309
Net cashflow from the movement in debt		1,085,011	324,642	655,392
		271,233	146,607	1,483,701
Movement in net (debt) during the period				
Net (debt) at the beginning of period		(2,822,023)	(4,677,871)	(4,677,871)
Exchange differences		(173,405)	243,704	372,147
Net (debt) at the end of period	**13**	(2,724,195)	(4,287,560)	(2,822,023)

Consolidated Statement of Changes in Equity
for the six months ended 30 September 2018

	Called-up share capital	Share premium account	Capital redemption reserve	Investment in own shares	Translation reserve	Retained earnings	Non-controlling interest	Total
	£	£	£	£	£	£	£	£
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	-	-	-	-	-	17,616	-	17,616
Cost of investment in own shares	-	-	-	17,516	-	(17,516)	-	-
Income statement								
Profit for the financial period	-	-	-	-	-	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
Income statement								
Profit for the financial period	-	-	-	-	-	601,372	(1,115)	600,257
Items that may be reclassified to profit and loss								
Exchange differences	-	-	-	-	1,054	353,098	14	354,166
At 30 September 2018	833,541	609,690	5,163,332	(886,986)	59,883	9,412,017	-	15,191,477

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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 Alexandra Docks, Newport NP20 2NP.

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.

Accounting period

The current period is for 6 months ended 30 September 2018 and the comparative period is for the 6 months ended 30 September 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 30 September 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**	
	September **2018** £	September **2017** £	September **2018** £	September **2017** £	September **2018** £	September **2017** £	September **2018** £	September **2017** £	September **2018** £	September **2017** £
Revenue	928,828	846,902	1,680,543	1,866,232	-	-	-	-	2,609,371	2,713,134
Profit (loss) before investment activities and other income	82,706	111,347	106,583	273,801	(164,418)	(130,436)	(277,070)	(324,242)	(252,199)	(69,530)
Investment activities and other income	-	-	-	-	1,111,353	639,960	(83,322)	(23,157)	1,028,031	616,803
Operating profit	82,706	111,347	106,583	273,801	946,935	509,524	(360,392)	(347,399)	775,832	547,273
EBITDA	106,706	140,347	468,409	677,366	973,253	535,569	(360,392)	(347,399)	1,187,976	1,005,883
(Depreciation) and profit (loss) on sale of plant and equipment	(24,000)	(29,000)	(361,826)	(403,565)	(26,318)	(26,045)	-	-	(412,144)	(458,610)
Operating profit	82,706	111,347	106,583	273,801	946,935	509,524	(360,392)	(347,399)	775,832	547,273
Net assets	660,783	335,665	7,040,823	6,880,888	6,482,222	4,637,662	1,007,649	1,377,398	15,191,477	13,231,613

Geographical segments

	United Kingdom		Africa		Malta		Rest of World		**Total**	
	September **2018** £	September **2017** £	September **2018** £	September **2017** £	September **2018** £	September **2017** £	September **2018** £	September **2017** £	September **2018** £	September **2017** £
Revenue	1,023,471	884,054	1,585,900	1,829,080	-	-	-	-	2,609,371	2,713,134
Profit (loss) before investment activities and other income	(73,465)	(127,682)	90,087	266,515	(164,418)	(130,436)	(104,403)	(77,927)	(252,199)	(69,530)
Investment activities and other income	70,098	(42,220)	(224,762)	82,192	1,117,311	637,736	65,384	(60,905)	1,028,031	616,803
Operating profit	(3,367)	(169,902)	(134,675)	348,707	952,893	507,300	(39,019)	(138,832)	775,832	547,273
EBITDA	20,633	(140,902)	227,151	752,272	979,211	533,345	(39,019)	(138,832)	1,187,976	1,005,883
(Depreciation) and profit (loss) on sale of plant and equipment	(24,000)	(29,000)	(361,826)	(403,565)	(26,318)	(26,045)	-	-	(412,144)	(458,610)
Operating profit	(3,367)	(169,902)	(134,675)	348,707	952,893	507,300	(39,019)	(138,832)	775,832	547,273
Net assets	791,538	644,374	6,877,038	6,784,749	6,482,222	4,637,662	1,040,679	1,164,828	15,191,477	13,231,613

5. Investment activities and other income

	September 2018 £	September 2017 £	March 2018 £
Current asset investments valuation movement	(11,124)	(91,526)	(94,955)
Investment and development property valuation movement	1,025,509	639,960	2,057,475
Investment and development property rent	85,844	-	3,518
Profit on disposal of property	-	-	152,290
Net foreign exchange (loss) gain - inter-company loans	6,449	(196,184)	(21,199)
Net foreign exchange gain (loss)- monetary items	(173,329)	225,347	372,086
Income from current asset investments	94,682	39,206	27,093
	1,028,031	616,803	2,496,308

6. Finance income

	September 2018 £	September 2017 £	March 2018 £
Bank deposits	1,158	9,633	14,680

7. Finance costs

	September 2018 £	September 2017 £	March 2018 £
Bank loans	185,034	187,135	379,259

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 7,663,454 (September 2017: 7,650,389) (March 2018: 7,654,016) 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.

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 2018	1,861,409	9,538,746	3,530,322	5,620,938	20,551,415
Exchange differences	(188,411)	577,558	134,558	73,590	597,295
Additions	129,637	-	66,199	16,689	212,525
Valuation movement	-	-	-	1,025,509	1,025,509
At 30 September 2018	1,802,635	10,116,304	3,731,079	6,736,726	22,386,744
Depreciation					
At 1 April 2018	29,719	2,884,067	2,842,906	105,809	5,862,501
Exchange differences	(3,008)	174,626	120,695	1,385	293,698
Charge for period	7,850	238,337	139,639	26,318	412,144
At 30 September 2018	34,561	3,297,030	3,103,240	133,512	6,568,343
Carrying value					
September 2018	**1,768,074**	**6,819,274**	**627,839**	**6,603,214**	**15,818,401**
March 2018	1,831,690	6,654,679	687,416	5,515,129	14,688,914

10. Current asset investments

	September 2018	September 2017	March 2018
	£	£	£
Listed investments	723,874	1,124,237	981,579
Unlisted investments	6,001	6,001	6,001
	729,875	1,130,238	987,580

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

11. Called-up share capital

	September 2018	September 2017	March 2018
	£	£	£
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. 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 30 September 2018, the company has one class of ordinary shares, which carry no right to fixed income.

12. Cash generated from operations

	September 2018 £	September 2017 £	March 2018 £
Operating profit continuing operations	775,832	547,273	2,193,855
Depreciation	412,144	458,610	848,509
(Profit) on the sale of property, plant and equipment	-	-	(152,290)
Current asset investments valuation movement	11,124	91,526	94,455
Investment and development property valuation movement	(1,025,509)	(639,960)	(2,057,475)
Provision on current asset investments	-	-	-
Exchange differences	217,928	(211,078)	(504,054)
Cash generated from operations before movements in working capital	391,519	246,371	423,000
Operating leases	(8,283)	(454)	(9,963)
(Increase) in inventories	(955)	(1,270)	(1,470)
(Increase) decrease in trade and other receivables	(299,728)	1,268,783	1,258,985
Increase (decrease) in trade and other payables	301,343	(501,685)	(352,301)
Cash generated from operations	383,896	1,011,745	1,318,251

13. Analysis of net funds (debt)

	September 2018 £	September 2017 £	March 2018 £
Cash and cash equivalents	1,481,048	1,175,109	2,540,649
Bank loans and overdrafts	(2,361,113)	(2,257,885)	(2,509,201)
	(880,065)	(1,082,776)	31,448
Bank loans - non-current	(1,844,054)	(3,204,784)	(2,853,471)
Net (debt)	(2,724,119)	(4,287,560)	(2,822,023)

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
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

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