

## **C H BAILEY, PLC**

### **PROPOSED SALE OF PROPERTIES IN MALTA**

#### **Introduction**

The Board of C H Bailey, Plc announces that on 9 October 2009 SGBH, one of the Company's overseas subsidiaries, entered into conditional agreements to sell Dolphin House and the Main Site, the majority of the Group's properties in Malta, to Vic Bon Limited, a company incorporated in Malta.

On the signing of the Dolphin Agreement, the full consideration for the sale, being the sum of €2,329,373 (£2,143,023) was paid by the Buyer into an escrow account to be released to SGBH upon satisfaction of certain conditions.

On the signing of the Main Site Agreement, a deposit of €815,300 (£750,076) was paid by the Buyer into an escrow account to be released to SGBH upon satisfaction of certain preliminary conditions prior to Completion of the sale. On Completion of the Main Site Sale (which will for some while following the General Meeting remain conditional on receipt by the Buyer of permission for the development of this property), SGBH will receive further cash consideration of €28,301,867 giving a total cash consideration for the Main Site of €29,117,167 (£26,787,794).

In view of the size of these transactions, both the Dolphin Sale and the Main Site Sale are conditional upon the approval of the Company's Shareholders. A circular will be sent to Shareholders shortly setting out further information on the proposed disposals and convening a General Meeting of the Company at which Shareholder approval will be sought for the disposals.

#### **Background to and reasons for the Dolphin Sale and the Main Site Sale**

As Shareholders are aware from statements made regularly in the annual audited accounts of the Company, the Directors have been of the view for some time that the market value of certain freehold and leasehold land and buildings within the Group is significantly in excess of its book value. The Directors have been exploring the possibilities of realising such value in respect of the Group's property interests in Malta and they are satisfied that the Dolphin Sale and the Main Site Sale on the terms agreed with the Buyer are in the best interests of Shareholders.

#### **Information on Dolphin House**

The business carried on at Dolphin House is the provision of rooms for use as temporary classrooms to support the provision of accommodation and services to English language students at the Main Site. In the year ended 31 March 2009, this business contributed €10,111 (£8,392) of revenue to the total SGBH revenue of €834,490 (£692,327). In the same period, SGBH reported an overall operating loss of €15,992 (£13,273), but no segmental analysis is available of the operating result attributable to the business carried on at Dolphin House.

## **Details of the Dolphin Sale**

The key terms of the Dolphin Agreement, which is a promise of sale under Maltese law, are as follows:

- SGBH has conditionally agreed to sell Dolphin House to the Buyer for €2,329,373 (£2,143,023) in cash. The sale of Dolphin House is conditional, amongst other things, on the approval of the Company's Shareholders in General Meeting;
- the full consideration was paid into an escrow account by the Buyer on the signing of the Dolphin Agreement and will be released to SGBH upon satisfaction of the conditions which is anticipated to be no later than 31 October 2009; and
- legal Completion of the sale will be at such time as the Buyer may request but in any event will be not later than 12 January 2010.

## **Financial impact of the Dolphin Sale and use of proceeds**

The net book value of Dolphin House as at 31 March 2009 was €323,395 (£300,757) and this value was consolidated in the Company accounts at 31 March 2009. The total cash consideration for the sale is €2,329,373 (£2,143,023).

The Dolphin Sale will generate proceeds, after expenses, of approximately €2,301,335 (£2,117,228) and the net proceeds to the Group arising on the sale after taxation will be approximately €2,021,810 (£1,860,065).

The net proceeds of the Dolphin Sale will be retained as working capital for the Group.

In view of the low level of revenue generated by Dolphin House, the sale of Dolphin House is not expected to have any impact on the ongoing business of the Group.

## **Information on the Main Site**

The business carried on at the Main Site includes the hotel and youth hostel operations carried on from the Villa Rosa Hotel, the Cresta Quay Beach Club and the Leonardo Da Vinci old villa. In the year ended 31 March 2009, these businesses contributed €687,117 (£570,307) of revenue to the total SGBH revenue of €834,490 (£692,627). In the same period, SGBH reported an overall operating loss of €15,992 (£13,273), but no segmental analysis is available of the operating result attributable to the businesses carried on at the Main Site.

## **Details of the Main Site Sale**

The key terms of the Main Site Agreement, which is a promise of sale under Maltese law, are:

- on the signing of the Main Site Agreement, the Buyer deposited the sum of €815,300 (£750,076) into an escrow account. This deposit will be released to the seller upon the satisfaction of certain preliminary conditions, including Shareholder approval, which is anticipated to be no later than 31 October 2009;
- the actual sale of the Main Site is conditional not only on Shareholder approval but also on the receipt by the Buyer of permission for the development the Main Site. In the event the Buyer does

not receive such permission, the Buyer will not be obliged to purchase the Main Site and the initial deposit of €15,300 paid by the Buyer will be returned;

- on Completion of the Main Site Sale SGBH will receive further cash consideration of €28,301,867 giving a total cash consideration for the Main Site of €29,117,167 (£26,787,794);
- subject to satisfaction of the conditions, Completion will take place on 30 March 2013; and
- the Buyer will pay all necessary duties required to be paid by the Maltese government on the sale of property.

Until Completion of the Main Site Sale, the Main Site will continue to be operated by SGBH as normal and will provide accommodation and services to English language students. Contracts with the longstanding partner of SGBH are currently being negotiated for the period to September 2012.

### **Financial impact of the Main Site Sale and use of proceeds**

The net book value of the Main Site was €3,585,620 (£3,334,627) and was consolidated in the Company accounts at 31 March 2009. The total cash consideration for the sale is €29,117,167 (£26,787,794).

The Main Site Sale will generate proceeds, after expenses, of approximately €28,766,685 (£26,465,350) and the net proceeds to the Group arising on the sale after taxation will be approximately €25,272,625 (£23,250,815).

On receipt of the proceeds of sale of the Main Site in 2013, the Board will evaluate the economic climate prevailing at that time and give primary consideration to a reduction of any borrowings within the Group and the required working capital of the Group. The Board will also consider opportunities for both short and long term investment and may also give consideration to the payment of a special dividend or the return of capital to the Shareholders.

The effect of the Completion of the Main Site Sale in March 2013 will be that the hotel operations of the Group in Malta will cease.

Notes:

1. Capitalised terms used, but not defined, in this announcement have the same meanings as given to them in the circular to be posted to Shareholders.
2. In this announcement, all amounts denominated in euro (€) are translated into sterling at an exchange rate of €1:£0.92, except for amounts extracted from historical financial information on SGBH for the year ended 31 March 2009. In accordance with the Group's normal accounting policies, the historical financial information has been translated into sterling at the average rate for the year ended 31 March 2009 of €1:£0.83 in the case of revenues and profits or losses and at the closing rate at 31 March 2009 of €1:£0.93 in the case of assets and liabilities.

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