

# C H BAILEY PLC

## Chairman's statement and financial results for the year ended 31 March 2009

### Overview

	2009	2008	2007	2006
	£	£	£	£
Revenue – continuing operations	<b>5,369,623</b>	<b>5,526,195</b>	<b>5,594,850</b>	<b>5,263,729</b>
Gross profit – continuing operations	<b>681,644</b>	<b>912,691</b>	<b>1,133,398</b>	<b>716,484</b>
Gross profit margin	12.69%	16.52%	20.26%	13.61%
Operating loss on continuing operations before exceptional items, investment activities and depreciation	<b>(782,538)</b>	<b>(723,479)</b>	<b>(401,919)</b>	<b>(792,764)</b>
Profit (loss) for the financial year	<b>276,582</b>	<b>(2,162,787)</b>	<b>(691,436)</b>	<b>(1,228,706)</b>
Earnings (loss) per share from continuing operations	<b>4.53p</b>	<b>(17.77p)</b>	<b>(2.64p)</b>	<b>(13.74p)</b>
Earnings (loss) per share from total operations	<b>3.38p</b>	<b>(26.40p)</b>	<b>(8.44p)</b>	<b>(15.24p)</b>

I am pleased to announce that for the year under review, the Group has made a profit of £276,582 (2008 Loss £2,162,787). It must be noted, however, that this profit has arisen principally through a gain on the sale of one of the Group's hotels in Malta. Whilst it is pleasing to see the Group return to profit, there are still many challenges ahead.

The Group is trading in possibly the worst affected sectors after banking and finance - namely Engineering and Leisure. We have put in place various initiatives reducing our central overheads but we are still susceptible to fluctuations in each sector.

### UK Operations

During the latter part of 2008 and into early 2009, the Group had to adapt to an increasingly difficult economic and financial environment. On 3<sup>rd</sup> October 2008, we announced the closure of Midway Precision in the light of poor trading and its very uncertain prospects. Subsequently, as announced on 30<sup>th</sup> January 2009, the Group had no other option than to appoint administrators to Modular Automation International Limited and so the design and manufacture of automation systems is included in these results as a discontinued operation.

The other businesses within the engineering division also experienced difficult trading conditions which has resulted in consolidation into a single company, Bailey Industrial Engineering, redundancies and reduced working hours. These changes have been implemented through both management and shop floor initiatives which have reduced overhead costs, are improving productivity and offer prospects of recovery in the future.

## **Malta**

During the year the Group sold part of the hotel complex. The proceeds were used to reduce borrowings and to provide the Group with additional working capital. This sale has now centred the foreign language student operation onto the main site of the hotel, which will hopefully provide better operational efficiency for the summer season.

We are also seeing encouraging enquiries and sales for the Palazzo Villa Rosa, as the niche foreign language student market does not seem to have been affected as badly as other leisure markets. We are hopeful that the increased volume of business will fully compensate for the lost revenue and bed stock arising from the sale referred to above.

## **Tanzania**

We have been pleased with the market's response to the recent reopening of the refurbished Oyster Bay Hotel. This has been listed as one of the 101 leading hotels in the world, is being included in many new publications and recently featured in the *House & Garden* magazine in South Africa.

Occupancy and revenues are projected to increase, with the Hotel's newly completed facilities becoming more attractive due to the continued traffic congestion in Dar es Salaam. We are therefore in discussion with the bank to finance future expansion of the hotel and the services it is offering due to the continued demand and success of the current development.

Beho Beho continues to be seen by the market as the top safari operation in the Selous although this year we did see a drop in bed nights by some 25%. We are expecting some further drop in bednights in the coming year due to the difficult economic climate.

Mikumi Wildlife Camp has increased revenue with reduced occupancy due to increases in the rates. We are looking at how to redevelop this operation, which caters primarily for the local family weekend market based in Dar es Salaam.

## **Investments**

The severe turbulence in financial markets has affected the valuation of the Group's investments. We have seen a modest recovery in the portfolio but we are cautious about predicting further recovery due to the continued uncertainty in global markets.

## **Current Trading and Outlook**

The world recession has had a major impact on all our sectors of operation. We expect this next year to be more difficult than 2008/09 in many respects but feel confident that we are in a position to be able to ride out the current global economic downturn.

We have made every effort to maintain revenues and reduce our operational costs throughout the Group and I must thank all our employees for their proactive and flexible efforts over the past year that has helped see the Group through these particularly difficult times.

Charles.H.Bailey  
Chairman  
24th July 2009

**Consolidated income statement**  
**Year ended 31 March 2009**

	<b>2009</b>	<b>2008</b>
	£	£
		(restated)
<b>Continuing operations</b>		
<b>Revenue</b>	5,369,623	5,526,195
Cost of sales	(4,687,979)	(4,613,504)
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<b>Gross profit</b>	681,644	912,691
Profit on the sale of property	1,847,320	-
Administrative expenses	(1,890,935)	(1,932,777)
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<b>Trading profit (loss)</b>	638,029	(1,020,086)
Investment activities and other income	449,557	(35,032)
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<b>Operating profit (loss)</b>	1,087,586	(1,055,118)
<b>EBITDA*</b>	(280,126)	(758,596)
Depreciation	(412,413)	(266,857)
Goodwill impairment	-	(29,750)
(Loss) profit on the sale of plant and equipment	(67,195)	85
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<b>Normalised operating profit (loss)</b>	(759,734)	(1,055,118)
Profit on sale of property	1,847,320	-
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<b>Operating profit (loss)</b>	1,087,586	(1,055,118)
Finance income	18,449	2,766
Finance costs	(337,381)	(212,105)
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<b>Profit (loss) before taxation</b>	768,654	(1,264,457)
Taxation	(379,556)	(65,010)
Minority interest	(18,295)	(126,694)
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<b>Profit (loss) for the year from continuing operations</b>	370,803	(1,456,161)
<b>Discontinued operations</b>		
(Loss) for the year from discontinued operations	(94,221)	(706,626)
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<b>Profit (loss) for the financial year</b>	276,582	(2,162,787)
<b>Earnings (loss) per share from continuing operations</b>	4.53p	(17.77p)
<b>Earnings (loss) per share from total operations</b>	3.38p	(26.40p)

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

## Consolidated balance sheet at 31 March 2009

	2009	2008
	£	£
<b>Non-current assets</b>		
Goodwill	-	107,694
Property, plant and equipment	11,121,914	10,353,515
Lease prepayments	-	38,474
Deferred tax asset	174,660	524,436
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	11,296,574	11,024,119
<b>Current assets</b>		
Stocks	40,582	156,834
Trade and other receivables	1,085,953	2,976,789
Current asset investments	1,052,308	1,320,753
Cash and cash equivalents	605,494	416,180
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	2,784,337	4,870,556
<b>Current liabilities</b>		
Trade and other payables	(1,735,594)	(4,050,832)
Bank loans and overdrafts	(1,742,463)	(1,517,909)
Other loans	(662,139)	(652,754)
Obligations under finance leases	(38,421)	(69,274)
Provisions	(225,000)	(259,180)
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	(4,403,617)	(6,549,949)
<b>Net current assets</b>	<hr/>	<hr/>
	(1,619,280)	(1,679,393)
<b>Total assets less current liabilities</b>	9,677,294	9,344,726
<b>Non-current liabilities</b>		
Bank loans	(2,379,627)	(2,007,148)
Obligations under finance leases	(35,794)	(79,033)
Cumulative preference shares	-	(530,180)
Deferred tax liabilities	(783,762)	(819,303)
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<b>Net assets</b>	6,478,111	5,909,062
<b>Equity</b>		
Called up share capital	833,541	833,541
Share premium account	609,690	609,690
Capital redemption reserve	5,163,332	5,163,332
Investment in own shares	-	(187,528)
Translation reserve	713,232	195,695
Retained earnings	(900,264)	(739,048)
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<b>Surplus attributable to the parent's shareholders</b>	6,419,531	5,875,682
Minority interest	58,580	33,380
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<b>Total equity</b>	6,478,111	5,909,062

**Consolidated cash flow statement**  
**Year ended 31 March 2009**

	<b>2009</b>	<b>2008</b>
	£	£
<b>Cash flows from operating activities</b>		
Cash generated from operations	(1,586,885)	(714,897)
Interest paid – continuing operations	(337,381)	(212,105)
Interest paid – discontinued operations	(27,332)	(8,732)
Overseas tax paid	(468,326)	-
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<b>Net cash flow from operating activities</b>	<b>(2,419,924)</b>	<b>(935,734)</b>
<b>Investing activities</b>		
Sale of property, plant and equipment	3,975,127	8,145
Purchase of property, plant and equipment	(1,400,743)	(1,921,014)
Sale of investments	19,807	364,224
Purchase of investments	(791)	(142,451)
Interest received – continuing operations	18,449	2,766
Interest received – discontinued operations	-	2,734
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<b>Net cash flow from investing activities</b>	<b>2,611,849</b>	<b>(1,685,596)</b>
<b>Financing activities</b>		
Sale of own shares	71,216	-
Movement in bank loans	(271,942)	1,229,412
Movement in directors' loans	16,752	636,292
Movement in other loans	9,385	5,419
Movement in capital element of finance leases	(74,092)	5,987
	<hr/>	<hr/>
<b>Net cash flow from financing activities</b>	<b>(248,681)</b>	<b>1,877,110</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(56,756)</b>	<b>(744,220)</b>
Cash and cash equivalents at beginning of year	(1,101,729)	(332,139)
Exchange differences	21,516	(25,370)
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<b>Cash and cash equivalents at end of year</b>	<b>(1,136,969)</b>	<b>(1,101,729)</b>

## Reconciliation of net cash flow to movement in net debt in the year

	2009	£	2008	£
Net decrease in cash and cash equivalents	(56,756)		(744,220)	
Cash outflow (inflow) from the increase in debt	336,649		(1,240,818)	
<b>Movement in net debt during the year</b>	279,893		(1,985,038)	
Net debt at the beginning of the year	(3,909,938)		(1,846,485)	
Exchange differences	(622,905)		(78,415)	
<b>Net debt at the end of the year</b>	(4,252,950)		(3,909,938)	

## Consolidated statement of recognised income and expense Year ended 31 March 2009

	2009	£	2008	£
Profit (loss) for the year attributable to parent's equity shareholders	276,582		(2,162,787)	
Exchange differences	196,051		569,147	
<b>Total recognised income and expense for the year attributable to parent's equity shareholders</b>	472,633		(1,593,640)	
Adjustment arising on adoption of IFRS	-		(859,204)	
Sale of investment in own shares	71,216		-	
<b>Total recognised income and expense since last annual report</b>	543,849		(2,452,844)	

### Notes

1 The abridged financial information set out above does not constitute the Group's statutory accounts as defined under Section 240 of the Companies Act 1985. The auditors have made an unqualified report on the financial statements for the year ended 31 March 2009 from which this financial information is extracted and there was no statement in their report under either section 237(2) or section 237(3). The report of the auditors on the accounts for the year ended 31 March 2008 was unqualified and there was no statement under either section 237(2) or section 237(3). Full accounts for the year ended 31 March 2008 have been filed at Companies House.

2. Copies of the 2009 annual report and accounts will be sent to shareholders shortly, and these can be obtained from the Company's registered office or Website: [www.chbaileyplc.co.uk](http://www.chbaileyplc.co.uk).

### Enquiries:

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