

C.H. BAILEY PLC

Chairman's statement and financial results for the six months ended 30th September 2009 (unaudited)

Results for the 6 month period ended 30th September 2009 show a loss of £ 68,947 (2008: loss £600,326). Revenue from continuing operations has decreased from £3,238,884 in the corresponding period in 2008 to £ 2,215,355, however the gross profit margin has increased by 7.24% from that achieved in the year ended 31 March 2009.

UK Operations

Bailey Industrial Engineering Ltd ("BIE") has been affected by a major customer closing its facilities in Newport and this has significantly affected the turnover for the period. The BIE management have to date taken a very proactive approach, have retained the remainder of their customer base and reviewed all their costs, and as a result the business has become far more efficient.

It has been a difficult period for engineering in the UK but we are now seeing some signs of increasing activity. Whilst this is pleasing to see, we believe that trading conditions are likely to remain difficult for some time.

Malta

As reported in October 2009, the group has sold Dolphin House and entered into a conditional sale agreement to sell the hotel operation in Malta. The contract to sell part of the hotel, Dolphin House, has concluded, with completion being due early in the New Year. This has realised further working capital for the Group. The conditional sale for the rest of the hotel is expected to be completed in March 2013, and remains dependent on receipt of planning permission by the purchaser.

The hotel has traded profitably this year and will continue to trade until March 2013. We saw an increase in sales and bed nights, with better margins overall due to the fact that we are in the English language student market and this niche market was not affected to the same extent as other traditional tourist markets

The company has also settled a long-standing dispute with the Maltese authorities, receiving compensation of £ 253,193, which is included in these interim figures.

Tanzania

In July, I reported sales at Beho Beho had decreased by some 25% on last year and that we were expecting to see a further drop in bed nights due to the difficult economic climate, which has occurred. However we have undergone a cost reduction exercise, which has not affected the guests' experience and the camp to date remains profitable.

We see sales for next season up by 50% on last year and we believe this is due to the reputation of the camp as a market leader, which has again been included in Tatler's 101 top hotels, where they state Beho Beho is one of the top three properties in Africa.

We hope that as the downturn in the economic climate abates, tourism numbers will return to Tanzania generally and to Beho Beho in particular.

The new Oyster Bay hotel was initially slow to attract visitor numbers, but this season we have seen encouraging signs as we have achieved a 90% increase in bed nights on last year. We have been told that certain operators refer to the Oyster Bay Hotel as the principal reason for tourists to visit Dar es Salaam.

Mikumi Wildlife Camp continues to make a contribution to the operation in Tanzania.

Investments

We have seen a modest recovery in the investment portfolio, which had been affected by the turmoil in world markets. The general trend over the period has seen the markets rise and this has recovered some of the previous losses.

Current trading and outlook

We continue to reduce costs wherever possible, without jeopardising our customer service. We have seen a recent increase in activity for the engineering company, which we hope will continue. In Tanzania we are also seeing signs of numbers increasing and again hope this trend continues. The niche English language student market in Malta has remained strong and our partners inform us that they do not envisage a drop in business.

There have been many changes within the Group in 2009. Whilst we are cautiously optimistic for the ongoing trading prospects, we will monitor the performances of each company going forward and take such further actions as and when needed.

Charles H Bailey

18th December 2009

Consolidated Income Statement for the six months ended 30th September 2009 (unaudited)

	Six months ended 30th September 2009 £	Six months ended 30th September 2008 £	Year ended 31st March 2009 £
Continuing operations			
Revenue	2,215,355	3,238,884	5,369,623
Cost of sales	(1,773,941)	(2,675,481)	(4,687,979)
Gross profit	441,414	563,403	681,644
Profit on the sale of property	-	-	1,847,320
Administrative expenses	(684,467)	(828,485)	(1,890,935)
Trading (loss)/profit	(243,053)	(265,082)	638,029
Investment activities and other income	265,076	468,372	449,557
Operating profit	22,023	203,290	1,087,586
EBITDA*	223,367	379,292	(280,126)
Depreciation	(201,344)	(176,888)	(412,413)
Profit (loss) on the sale of property, plant and equipment	-	886	(67,195)
Profit on sale of property	-	-	1,847,320
Operating profit	22,023	203,290	1,087,586
Finance income	99	1,762	18,449
Finance costs	(100,182)	(192,897)	(337,381)
(Loss)/profit before taxation	(78,060)	12,155	768,654
Taxation	14,664	(36,353)	(379,556)
Minority interest	(5,551)	(2,149)	(18,295)
(Loss) /profit for the financial period from continuing operations	(68,947)	(26,347)	370,803
Discontinued operations			
(Loss) for the period from discontinued operations	-	(573,979)	(94,221)
(Loss)/profit for the financial period	(68,947)	(600,326)	276,582
(Loss)/earnings per share from continuing operations	(0.83p)	(0.32p)	4.53p
(Loss)/earnings per share from total operations	(0.83p)	(7.33p)	3.38p

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

Consolidated Balance Sheet as at 30th September 2009 (unaudited)

	30th September 2009 £	30th September 2008 £	31st March 2009 £
Non-current assets			
Goodwill	-	107,694	-
Property, plant and equipment	10,233,648	11,362,117	11,121,914
Lease prepayments	-	38,474	-
Assets held for sale	300,757	-	-
Deferred tax asset	189,324	488,083	174,660
	<u>10,723,729</u>	<u>11,996,368</u>	<u>11,296,574</u>
Current assets			
Stocks	36,207	165,598	40,582
Trade and other receivables	653,715	2,501,460	1,085,953
Current asset investments	1,168,600	1,124,456	1,052,308
Cash and cash equivalents	729,610	638,416	605,494
	<u>2,588,132</u>	<u>4,429,930</u>	<u>2,784,337</u>
Current liabilities			
Trade and other payables	(1,889,284)	(4,955,729)	(1,735,594)
Bank loans and overdrafts	(1,403,872)	(1,748,310)	(1,742,463)
Other loans	(663,659)	(658,856)	(662,139)
Obligations under finance leases	(31,200)	(63,657)	(38,421)
Provisions	(225,000)	(225,000)	(225,000)
	<u>(4,213,015)</u>	<u>(7,651,552)</u>	<u>(4,403,617)</u>
Net current liabilities	<u>(1,624,883)</u>	<u>(3,221,622)</u>	<u>(1,619,280)</u>
Total assets less current liabilities	9,098,846	8,774,746	9,677,294
Non-current liabilities			
Bank loans	(1,770,334)	(2,337,489)	(2,379,627)
Obligations under finance leases	(24,998)	(62,794)	(35,794)
Cumulative preference shares	-	(530,180)	-
Deferred tax liabilities	(765,658)	(813,641)	(783,762)
Net assets	<u>6,537,856</u>	<u>5,030,642</u>	<u>6,478,111</u>
Equity			
Called-up share capital	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	-	(187,528)	-
Translation reserve	658,887	230,104	713,232
Retained earnings	(790,489)	(1,653,720)	(900,264)
	<u>6,474,961</u>	<u>4,995,419</u>	<u>6,419,531</u>
Surplus attributable to the parent's shareholders	<u>6,474,961</u>	<u>4,995,419</u>	<u>6,419,531</u>
Minority interest	62,895	35,223	58,580
Total equity	<u>6,537,856</u>	<u>5,030,642</u>	<u>6,478,111</u>

Consolidated Cash Flow Statement for the six months ended 30th September 2009 (unaudited)

	Six months ended 30th September 2009 £	Six months ended 30th September 2008 £	Year ended 31st March 2009 £
Cash flows from operating activities			
Cash generated from operations	520,761	(287,510)	(1,586,885)
Interest paid – continuing operations	(100,182)	(192,897)	(337,381)
Interest paid – discontinued operations	-	(17,552)	(27,332)
Overseas tax paid	-	-	(468,326)
Net cash flow from operating activities	420,579	(497,959)	(2,419,924)
Investing activities			
Sale of property, plant and equipment	2,985	966	3,975,127
Purchase of property, plant and equipment	(137,570)	(739,281)	(1,400,743)
Sale of investments	197,929	14,214	19,807
Purchase of investments	(27,629)	(792)	(791)
Settlement of claim	253,193	-	-
Interest received- continuing operations	99	1,762	18,449
Interest received – discontinued operations	-	-	-
Net cash flow from investing activities	289,007	(723,131)	2,611,849
Financing activities			
Sale of own shares	-	-	71,216
Movement in bank loans	(356,473)	173,622	(271,942)
Movement in directors' loans	96,382	1,035,021	16,752
Movement in other loans	1,520	6,102	9,385
Movement in capital element of finance leases	(18,017)	(21,856)	(74,092)
Net cash flow from financing activities	(276,588)	1,192,889	(248,681)
Net movement in cash and cash equivalents			
Cash and cash equivalents at beginning of the period	(1,136,969)	(1,101,729)	(1,101,729)
Exchange differences	29,709	20,036	21,516
Cash and cash equivalents at end of the period	(674,262)	(1,109,894)	(1,136,969)

Reconciliation of net cash flow to movement in net debt in the period

Net movement in cash and cash equivalents	432,998	(28,201)	(56,756)
Cash flow from the movement in debt	372,970	(157,868)	336,649
Movement in net debt during the period	805,968	(186,069)	279,893
Net debt at the beginning of period	(4,252,950)	(3,909,938)	(3,909,938)
Exchange differences	282,529	(136,683)	(622,905)
Net debt at the end of the period	(3,164,453)	(4,232,690)	(4,252,950)

Consolidated Statement of Recognised Income and Expense for the six months ended 30th September 2009 (unaudited)

	Six months ended 30th September 2009	Six months ended 30th September 2008	Year ended 31st March 2009
	£	£	£
(Loss)/profit for the period attributable to parent's equity shareholders	(68,947)	(600,326)	276,582
Exchange differences	124,377	(279,937)	196,051
Total recognised income and expense for the period attributable to parent's equity shareholders	55,430	(880,263)	472,633
Sale of investment in own shares	-	-	71,216
Total recognised income and expense since last annual report	55,430	(880,263)	543,849

Notes to the Consolidated Interim Financial Statements for the six months ended 30 September 2009 (unaudited)

1. General Information

Basis of preparation

These interim 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.

The interim financial statements have been prepared using the historical cost basis of accounting except for:

- i) Properties held at the date of transition to IFRS which are stated at deemed cost;
- ii) Assets held for sale which are stated at the lower of fair value less anticipated disposal costs and carrying value.

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.

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 30th September 2009.

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.

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

Business combinations and goodwill

Goodwill arising on consolidation represents the excess of consideration over the group's interest in the fair value of assets acquired. Goodwill is recognised as an asset

and is not amortised. It is reviewed for impairment at each reporting date as detailed in “impairment of non-financial assets” below.

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 at cost within non-current assets as they are held as a long term investments. 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. 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 and long leasehold property	1%
Short leasehold buildings	Period of the lease

Plant and equipment	Between 5% and 50%
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Annual reviews are made of estimated useful lives and material residual values.

Leased assets

Lessee accounting

Property leases are split into two elements, land and buildings and each considered in isolation and each element is reviewed to determine if it is operating or finance in nature. 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 rent review. Finance leases are capitalised and depreciated in accordance with the accounting policy for property, plant and equipment.

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 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 amount 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 change for taxation is based on the taxable profit or loss for the period 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. Deferred tax is provided on unremitted earnings from overseas subsidiaries where it is probable that these earnings will be remitted to the UK in the foreseeable future. Deferred tax is measured using tax rates that have been enacted, or substantively enacted, by the period end balance sheet date. 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 are charged or credited in the income statement except when they relate 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 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.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value and are subsequently 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 assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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.

Trade and other payables

Trade and other payables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective 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 income statement 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 at the balance sheet date. Provisions are only discounted to present value where the effect is material.

Net debt

Net debt 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 period end rates.

The results of overseas subsidiary undertakings, associates and trade investments are translated into pounds sterling at average rates for the period unless exchange rates fluctuate significantly during that period in which case exchange rates at the date of transactions are used. The closing balance sheets are translated at the period 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 Statement of Recognised Income and Expense. All other exchange differences are included within the Income Statement in the period.

Operating profit

Operating profit is defined as the profit for the period from continuing operating costs and income but before income from other participating interests, finance income, finance costs, other gains and losses and taxation. Operating profit is disclosed as a separate line on the face of the income statement.

Finance costs

Finance costs are recognised in the income statement on the accruals basis in the period in which they occurred.

3. Segmental information

		Revenue continuing operations £	Operating profit/(loss) continuing operations £	Operating (loss) discontinue d operations £	Net assets £
Classes of business					
Industrial:					
Six months to 30 th September	2009	411,259	(115,802)	-	380,155
Six months to 30 th September	2008	1,339,155	(19,251)	(556,427)	(156,236)
Year to 31 st March	2009	2,210,394	(309,588)	(66,889)	383,478
Leisure:					
Six months to 30 th September	2009	1,794,846	379,152	-	6,832,615
Six months to 30 th September	2008	1,890,479	40,043	-	6,331,065
Year to 31 st March	2009	3,140,730	1,494,214	-	6,671,185
Management and investment:					
Six months to 30 th September	2009	9,250	(241,327)	-	(674,914)
Six months to 30 th September	2008	9,250	182,498	-	(1,144,187)
Year to 31 st March	2009	18,499	(97,040)	-	(576,552)
Total:					
Six months to 30 th September	2009	2,215,355	22,023	-	6,537,856
Six months to 30 th September	2008	3,238,884	203,290	(556,427)	5,030,642
Year to 31 st March	2009	5,369,623	1,087,586	(66,889)	6,478,111
Geographical segments					
United Kingdom:					
Six months to 30 th September	2009	945,139	(139,052)	-	(206,526)
Six months to 30 th September	2008	2,126,092	(245,859)	(384,663)	(1,237,612)

Year to 31 st March	2009	3,526,242	(481,962)	(66,889)	(273,275)
Malta, Tanzania and Rest of the World:					
Six months to 30 th September	2009	1,270,216	161,075	-	6,744,382
Six months to 30 th September	2008	1,112,792	449,149	(171,764)	6,268,254
Year to 31 st March	2009	1,843,381	1,569,548	-	6,751,386
Total:					
Six months to 30 th September	2009	2,215,355	22,023	-	6,537,856
Six months to 30 th September	2008	3,238,884	203,290	(556,427)	5,030,642
Year to 31 st March	2009	5,369,623	1,087,586	(66,889)	6,478,111

4. 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 8,335,414 (2008:8,192,980) which excludes own shares held.

5. Called-up share capital

	30 th September 2009 £	30 th September 2008 £	31 st March 2009 £
Authorised: 60,000,000 ordinary shares of 10p each	6,000,000	6,000,000	6,000,000
Issued and fully paid: 8,335,414 ordinary shares of 10p each	833,541	833,541	833,541

6. Cash generated from operations

Six months ended 30 th September 2009 £	Six months ended 30 th September 2008 £	Year ended 31 st March 2009 £
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Operating profit continuing operations	22,023	203,290	1,087,586
Operating (loss) discontinued operations	-	(556,427)	(66,889)
Depreciation	201,344	176,888	426,753
(Profit) on sale of property, plant and equipment	-	(886)	(1,780,125)
(Profit)/loss on sale of current asset investments	(27,797)	4,833	(760)
Fair value movement of investments	(1,290)	161,122	1,162
(Profit) on disposal of subsidiary undertaking	-	-	(688,901)
Provision on current asset investments	(257,505)	16,920	249,027
Settlement of claim	(253,193)	-	-
Exchange differences	343,258	(595,511)	(1,052,169)
Cash flow from operations before movements in working capital	26,840	(589,771)	(1,824,316)
Decrease/(increase) in stocks	4,375	(8,764)	14,141
Lease prepayment released	-	3,174	4,761
Decrease in trade and other receivables	432,238	472,155	817,695
Increase/(decrease) in trade and other payables	57,308	(164,304)	(599,166)
Cash generated from operations	520,761	(287,510)	(1,586,885)

7. Cash and cash equivalents

	30 th September 2009	30 th September 2008	31 st March 2009
	£	£	£
Cash at bank and in hand	522,362	99,107	210,778
Deposit accounts	207,248	539,309	394,716
	729,610	638,416	605,494

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

8. Analysis of net debt

30 th September 2009	30 th September 2008	31 st March 2009
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	£	£	£
Cash and cash equivalents	729,610	638,416	605,494
Bank loans and overdraft	(1,403,872)	(1,748,310)	(1,742,463)
	(674,262)	(1,109,894)	(1,136,969)
Bank loans – non-current	(1,770,334)	(2,337,489)	(2,379,627)
Obligations under finance leases	(56,198)	(126,451)	(74,215)
Other loans	(663,659)	(658,856)	(662,139)
	(3,164,453)	(4,232,690)	(4,252,950)

9. Post balance sheet event

On 28th October 2009, the shareholders approved an agreement to sell part of the hotel freehold property in Malta for 2,329,373 Euros (£2,143,023).

On 28th October 2009, the shareholders approved a conditional agreement for the sale of the remainder of the hotel freehold property in Malta for 29,117,167 Euros (£26,787,794) conditional upon the buyer obtaining permission for the development of the property. The completion will take place on 30th March 2013. A deposit of 815,300 Euros has been paid by the buyer which will be returned in the event the buyer does not receive permission for the development of the property.

10. Distribution of interim financial statements

A copy of these interim financial statements is available from the company's registered office and is also available on the company's website.

Enquiries:
 CH Bailey plc
 Charles Bailey – Telephone 01633 262 961

Arden Partners plc
 Richard Day – Telephone 020 7614 5932
 Colin Smith – Telephone 0121 423 8940