

C. H. BAILEY PLC

Directors	CHARLES H. BAILEY chairman and managing director MRS S. A. BAILEY Sir W. H. McALPINE D.C. ORCHARD (Appointed 21 st June 2007)
Local Directors	Professor J. M. GANADO (Malta) Dr A. GALEA (Malta)
Secretary	B. J. WARREN
Auditors	Walter Hunter & Co Limited Chartered Accountants, 24 Bridge Street, Newport, South Wales NP20 4SF
Principle Bankers	Barclays Bank Plc 14 Commercial Street, Newport, South Wales NP20 1YG
Legal Advisors	Shoosmiths 7 th Floor, 125 Colmore Row, Birmingham B3 3SH
Financial Advisors and Brokers	Arden Partners Plc Arden House Highfield Road, Edgbaston, Birmingham, B15 3DU
Transfer Office	Computershare Investor Services Plc P.O. Box 82, The Pavillions, Bridgewater Road, Bristol BS99 7NH
Registered Office	Alexandra Docks, Newport, South Wales NP20 2NP
Registered Number	190106
Company Website	www.chbaileyplc.co.uk

C.H. BAILEY PLC

NOTICE OF MEETING

Notice is hereby given that the eighty-third annual general meeting of C.H. Bailey Plc will be held at Newport Rugby Football Club, Rodney Parade, Newport, NP19 0UU on 19th November 2007 at 11.00 a.m for the following purposes:

As Ordinary Business

1. To receive and adopt the report of directors and the audited financial statements for the year ended 31st March 2007.
2. To re-appoint the auditors and authorise the directors to determine their remuneration.
3. To re-elect as director Sir Bill McAlpine who retires by rotation and, being eligible, offers himself for re-election.
4. To elect as director Mr D.C. Orchard.
5. To transact any other ordinary business of an annual general meeting.

Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, only shareholders entered on the register at the close of business on 17th November 2007 will be entitled to attend and vote at the meeting or any adjournment thereof.

By order of the Board,
B J Warren,
Secretary

Newport, South Wales.
27th September 2007

Notes

- (a) Any member of the company entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of that member. A proxy need not be a member of the company.
- (b) There will be available for the inspection from today until the date of the annual general meeting at Alexandra Docks, Newport, South Wales and, at the meeting, copies of all service contracts of directors not expiring or determinable within one year.

C. H. BAILEY PLC

CHAIRMAN'S STATEMENT AND FINANCIAL RESULTS YEAR ENDED 31ST MARCH 2007

Overview

	2006/7	2005/6	2004/5	2003/4
	£	£	£	£
Turnover – continuing operations	11,021,082	9,821,783	6,614,785	4,633,070
Increase in turnover %	12.21%	48.48%	42.77%	37.23%
Gross profit – continuing operations	2,839,115	2,425,675	764,697	342,853
Gross profit as % of turnover	25.76%	24.70%	11.56%	7.40%
Trading (loss) – continuing operations	(538,727)	(908,089)	(1,394,797)	(1,732,055)
Trading (loss) as % of turnover	(4.89%)	(9.25%)	(21.09%)	(37.39%)
Operating (loss) – continuing operations	(69,932)	(876,949)	(941,088)	(977,925)
Operating (loss) as % of turnover	(0.63%)	(8.93%)	(14.23%)	(21.11%)
Loss per share	(7.57p)	(15.24p)	(9.87p)	(19.44p)

Financial Highlights

- Turnover and gross profit margin increased
- Trading loss decreased
- Improved sales and order intake by all continuing operating divisions

Restructuring Highlights

- Disposal of P&D Electrical Services Limited

UK Operations

I reported in my interim statement to 30 September 2006 that the turnover of our engineering division had increased. This trend has continued and I can report that the turnover of this division has increased by 13.9% on the previous year to £8,614,869, with significantly improved margins. The division has had a slow first quarter in 2007/8 but has subsequently seen increased orders and turnover. We are therefore confident that the improvement achieved in 2006/7 will be sustained in the current year.

During the year, following a detailed review, the board took the decision to dispose of the subsidiary, P&D Electrical Services Limited and to concentrate in the UK on the core activity of engineering. As announced in April 2007, this subsidiary was sold to PDACA Limited with the group taking a 25% shareholding in this company.

Malta

Our hotel in Malta continues to operate profitably and talks are continuing with the relevant authorities with regard to the further development of the hotel. We hope that with the peak tourist season coming to an end, there will be significant progress and we will continue to keep shareholders updated.

Tanzania

Beho Beho and Mikumi Wildlife Camp continue to consolidate their position and reputation in the international tourist market. Occupancy, turnover and contributions to group are improving and we are considering rebuilding Mikumi and the refurbishment of Beho Beho in order to maintain their market share.

C.H. BAILEY PLC

CHAIRMAN'S STATEMENT AND FINANCIAL RESULTS YEAR ENDED 31ST MARCH 2007

Final building permits came through in December 2006 for the development at the Oyster Bay Hotel complex. Contractors were appointed in early 2007 and it is anticipated that the hotel will reopen its doors in November 2007 with the remainder of the development completed by May 2008.

Demand for the hotel, with the proposed new service it will offer is very encouraging and the number of tourist arrivals continues to grow in Tanzania. We are confident that on completion, the development will achieve high occupancy.

Investments

Our fund managers have continued to increase the value of the investment portfolio. However, the results for the year have been affected by currency fluctuations especially the US\$. We believe that, following the recent market adjustment, there will be a more stable period, which will allow further growth.

Adoption of International Financial Reporting Standards ("IFRS")

The Group will adopt IFRS for the first time in its interim report for the six months to 30th September 2007. Preparations for this change are currently in hand.

Mr Tom C Bishop

I am very sad to report that Mr Tom Bishop who, for very many years, was a Director of the Group died on the 29th August following a short illness. Tom had resigned as a Board member earlier this year and had for many years offered the Group, his wisdom and advice and had always made a valuable contribution. He will be sadly missed by his son Brian and family and those of us, who had the privilege of knowing him and valued his support, encouragement and wonderful sense of humour.

New Board appointment

We recently announced the appointment of David Orchard to the board as an executive director. David is a certified accountant with the group's Modular Automation subsidiary. I am confident that he will make a significant contribution to the further development of our business.

Current trading and outlook

Despite the loss for the year, the underlying trends are good, with increased turnover and margins. We remain positive and believe the group is moving in the right direction. But for the loss on the discontinued operation and adverse exchange fluctuations the group would be reporting that it is profitable.

The trading performance of all our businesses continues to improve and the group will endeavour to achieve further growth and increased efficiencies, to better the overall results. With the disposal of P&D Electrical Services we are now able to concentrate on our core businesses and every indication is that both our engineering and leisure divisions are competitive in stable and growing markets.

As always I must thank the management, staff and our advisers for their continued support and contributions to our group.

Charles H. Bailey, Chairman, 27th September 2007

www.CHBaileyplc.co.uk

C. H. BAILEY PLC

REPORT OF THE DIRECTORS
YEAR ENDED 31ST MARCH 2007

The directors submit their report and accounts for the year ended 31st March 2007.

Principal activities

C.H. Bailey Plc has investments and is the holding company of subsidiary undertakings engaged in many different activities including the design and manufacture of automation systems, engineering and the operation of hotels. The loss on these various activities which is attributable to the shareholders amounted to £619,934 (2006: loss £1,228,706).

A review of the group's business, development and prospects can be found in the chairman's statement on pages 3 and 4.

Dividend

The directors do not recommend the payment of a final dividend in respect to the year ended 31st March 2007 (2006:£Nil).

Change in fixed assets

A summary of the changes in intangible fixed assets is given in note 10 to the accounts.

A summary of the changes in tangible fixed assets is given in note 11 to the accounts.

A summary of the changes in fixed asset investments is given in note 12 to the accounts.

In the directors' opinion, the market value of freehold land and buildings is in excess of £20,000,000, and leasehold land and buildings is in excess of £5,000,000.

Acquisitions and disposals

There were no acquisitions during the year. During the year, the group sold subsidiary undertaking P&D Electrical Services Limited.

Consolidation and purchase of own shares

The company continues to hold as treasury shares 142,434 ordinary shares which were purchased on 31st March 2006.

Directors

The board of directors on 31st March 2007 consisted of Charles H. Bailey, Mrs S.A. Bailey, T.C. Bishop (deceased) (resigned 21st June 2007) and Sir Bill McAlpine.

D.C. Orchard was appointed as director on 21st June 2007. He is a fellow of the Chartered Association of Certified Accountants and joined our Modular subsidiary in 1999 from Stratford upon Avon Foods Ltd (previously a subsidiary of Campell's Soup Inc) where he was financial controller. He brings extensive commercial and systems experience to the group and is playing a key role in developing the group's management information and control systems.

The director retiring by rotation is Sir Bill McAlpine, who, being eligible, offers himself for re-election.

No director had, in the financial year to 31st March 2007, a material interest in any contract to which the company or a subsidiary undertaking was a party.

Charles H. Bailey, Mrs S.A. Bailey and D.C Orchard are executive directors. The non-executive director, Sir Bill McAlpine, has been a director of Sir Robert McAlpine Limited, building and civil engineering contractors since 1957. He was for several years, until March 1991, a director of T&N Plc. He is a director of the Dart Valley Light Railway Plc and chairman of Romney Hythe & Dymchurch Railway Plc.

Local directors

Professor J. M. Ganado is a leading lawyer and very well respected member of the Maltese community.

Dr A. Galea, FHCIMA, has extensive experience of the hotel business in Malta including acting as advisor to the National Tourist Board of Malta.

C.H. BAILEY PLC

REPORT OF THE DIRECTORS
YEAR ENDED 31ST MARCH 2007

Interests in the capital of the group

(a) Directors

The directors had the following interests in the share capital of the company:

		27 th September 2007	31 st March 2007	31 st March 2006
Charles H. Bailey	ordinary shares	4,251,060	343,169	343,169
Mrs S. A. Bailey	ordinary shares	1,214,378	5,122,269	5,122,269
T. C. Bishop (deseased)	ordinary shares	912	912	912
Sir William H. McAlpine	ordinary shares	1,111	1,111	1,111
D.C. Orchard	ordinary shares	8,000	8,000	-

(b) Substantial shareholdings

The directors have been advised of the following shareholdings:

P. S. Allen	ordinary shares	441,169	441,169	408,669
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Charitable and political contributions

During the year the group made no contributions of a charitable or political nature (2006:£Nil).

Employees

The group is an equal opportunities employer. The group also makes every reasonable effort to give disabled applicants and existing employees, becoming disabled, equal opportunities for work having regard to their individual aptitudes and abilities.

Employee reporting and involvement

The group recognises the need to ensure effective communications with employees to encourage involvement in the group's performance. Policies and procedures have been developed to achieve a common awareness of factors affecting the performance of the group in which many employees are shareholders.

Suppliers

The group agrees payment terms with suppliers prior to placing business. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has supplied the goods or services in accordance with the agreed terms and conditions.

Health, safety, the environment and social policy

It is the group's policy is to comply with relevant legislation in all countries in which it operates and to adopt responsible environmental and social practices. Training is provided to ensure that the group keeps abreast of changing business and regulatory requirements and technological advances.

Close company

In the opinion of the directors the company is, at the accounting date and the date of this report, a close company within the terms of the Income and Corporation Taxes Act 1988.

C. H. BAILEY PLC

REPORT OF THE DIRECTORS YEAR ENDED 31ST MARCH 2007

Directors` responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations. United Kingdom company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit and loss of the group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal controls, safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In the case of each of the persons who are the directors of the company at the date when this report was approved;

- So far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware.
- Each director has taken all the steps that ought to be taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Walter Hunter & Co Limited are willing to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

Newport, South Wales
27th September 2007

By order of the board
B.J. Warren
Secretary

C.H. BAILEY PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C.H.BAILEY PLC YEAR ENDED 31ST MARCH 2007

We have audited the group and individual company financial statements of C.H. Bailey Plc for the year ended 31st March 2007 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated cashflow statement, the consolidated statement of total recognised gains and losses and the related notes.

These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for anyone, other than the company or the company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and international standards on auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions with the company and group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of opinion

We conducted our audit in accordance with international standards on auditing issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company or the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and the group as at 31st March 2007 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and the information given in the directors' report is consistent with the financial statements.

NEWPORT, South Wales
27th September 2007

WALTER HUNTER & CO LIMITED
Chartered Accountants and
Registered Auditors

C. H. BAILEY PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31st MARCH 2007

	Notes	2007			2006		
		Continuing operations	Discontinued operations	Total £	Continuing operations	Discontinued operations	Total £
Turnover	1	11,021,082	1,715,507	12,736,589	9,821,783	1,512,602	11,334,385
Cost of sales		(8,181,967)	(1,889,176)	(10,071,143)	(7,396,108)	(1,566,335)	(8,962,443)
Gross profit (loss)		<u>2,839,115</u>	<u>(173,669)</u>	2,665,446	<u>2,425,675</u>	<u>(53,733)</u>	<u>2,371,942</u>
Administrative expenses	5	(3,377,842)	(308,616)	(3,686,458)	(3,333,764)	(185,100)	(3,518,864)
Trading (loss)		<u>(538,727)</u>	<u>(482,285)</u>	(1,021,012)	<u>(908,089)</u>	<u>(238,833)</u>	<u>(1,146,922)</u>
Investment activities and other income	2	468,795	-	468,795	31,140	-	31,140
Operating (loss)		<u>(69,932)</u>	<u>(482,285)</u>	(552,217)	<u>(876,949)</u>	<u>(238,833)</u>	<u>(1,115,782)</u>
Exceptional items							
Restructuring costs				-			(144,340)
(Loss) on ordinary activities before interest				(552,217)			(1,260,122)
Interest receivable	3			15,767			21,184
Interest payable	4			(120,395)			(127,743)
(Loss) on ordinary activities before taxation	5			(656,845)			(1,366,681)
Taxation	6			55,456			188,302
(Loss) on ordinary activities after taxation				(601,389)			(1,178,379)
Minority interest				(18,545)			(50,327)
(Loss) for the financial year	20			(619,934)			(1,228,706)
Earnings per share from total operating results	23			(7.57p)			(15.24p)
Earnings per share from continuing operations	23			(1.68p)			(12.28p)

C.H. BAILEY PLC

BALANCE SHEETS AS AT 31ST MARCH 2007

		Group		Company	
	Notes	2007	2006	2007	2006
		£	£	£	£
Fixed Assets					
Intangible assets	10	672,781	761,319	-	-
Tangible assets	11	7,789,287	7,512,405	5,313	5,698
Investments	12	-	-	7,702,342	8,201,632
		8,462,068	8,273,724	7,707,655	8,207,330
Current assets					
Stock and work in progress	13	180,584	402,154	-	-
Debtors	14	5,115,348	4,552,212	2,870,057	3,047,072
Investments	15	1,865,615	2,402,750	980,930	931,925
Cash at bank and in hand		244,047	279,552	52,742	585,958
		7,405,594	7,636,668	3,903,729	4,564,955
Creditors: amounts falling due within one year	16	(6,157,160)	(6,064,838)	(5,097,361)	(5,205,563)
Net current assets (liabilities)		1,248,434	1,571,830	(1,193,632)	(640,608)
Total assets less current liabilities		9,710,502	9,845,554	6,514,023	7,566,722
Creditors: amount falling due after more than one year	17	(1,337,592)	(893,444)	-	-
Provision for liabilities and charges	18	(135,505)	(245,608)	(119,500)	(210,488)
Net assets		11,183,599	10,984,606	6,633,523	7,777,210
Financed by:					
Capital and reserves	20				
Called up share capital	19	833,541	833,541	833,541	833,541
Share premium account		609,690	609,690	609,690	609,690
Capital redemption reserve		5,163,332	5,163,332	5,163,332	5,163,332
Investment in own shares		(187,528)	(187,528)	(187,528)	(187,528)
Revaluation reserve		1,668,527	1,717,035	-	-
Other reserves		716,663	743,143	-	-
Investment revaluation reserve		636,352	707,854	375,420	309,495
Profit and loss account		(1,112,051)	(771,780)	(399,932)	627,704
Equity shareholders' funds		8,328,526	8,815,287	6,394,523	7,356,234
Minority interest		(91,121)	(108,785)	-	-
		8,237,405	8,706,502	6,394,523	7,356,234
Net assets per share	23	£1.01	£1.06		

These financial statements were approved by the board of directors on 27th September 2007 and were signed on its behalf by:

CHARLES H. BAILEY, Director

C. H. BAILEY PLC

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31st MARCH 2007

	Notes	2007		2006	
		£	£	£	£
Net cash (outflow) from operating activities	24		(728,876)		(315,452)
Return on investments and servicing of finance					
Interest received		15,767		21,184	
Interest paid		<u>(120,395)</u>	(104,628)	<u>(127,743)</u>	(106,559)
Taxation			(5,542)		(6,821)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(724,843)		(358,371)	
Sale of tangible fixed assets		600		15,257	
Sale of intangible fixed assets		<u>-</u>	(724,243)	<u>7,500</u>	(335,614)
Acquisitions and disposals					
Investment in associated undertaking			<u>(100,000)</u>		<u>-</u>
Cash (outflow) before use of liquid resources and financing			(1,663,289)		(764,446)
Equity dividends paid			-		-
Mangement of liquid resources					
Purchase of investments		(600,430)		(318,083)	
Sale of investments		1,803,375		1,048,299	
Movement in short term deposits		<u>452,560</u>	1,655,505	<u>387,822</u>	1,118,038
Financing					
Sale of investment in own shares		-		696,246	
Directors loans		(201,571)		(711,991)	
Movement in other loans due within one year		(82,319)		(78,732)	
Movement in bank loans due after more than one year		420,961		(25,536)	
Capital element of finance leases		<u>47,420</u>		<u>(20,020)</u>	
			184,491		(140,033)
Increase in cash in the year	25		<u><u>176,707</u></u>		<u><u>213,559</u></u>

C.H. BAILEY PLC

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31st MARCH 2007

	2007	2006
	£	£
(Loss) for the financial year	(619,934)	(1,228,706)
Revaluation of investments held for resale	(71,502)	475,619
Exchange rate adjustments	204,675	58,879
Total recognised (loss) for the year	<u>(486,761)</u>	<u>(694,208)</u>
Revaluation of investments held for resale - prior year adjustment	-	232,235
Total recognised (loss) since last annual report	<u>(486,761)</u>	<u>(461,973)</u>
Purchase of investment in own shares	-	(187,528)
Sale of investment in own shares	-	883,774
Net movement in shareholders' funds	<u><u>(486,761)</u></u>	<u><u>234,273</u></u>

The directors consider that there is no material difference between the depreciation which would have been charged on the original cost of tangible fixed assets compared with that actually charged on revalued amounts. Accordingly no note of historical cost profits and losses has been prepared.

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets and financial instruments and in accordance with applicable United Kingdom Accounting Standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of calculation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings, all of which have been made up to 31st March 2007.

Turnover

Turnover represents the total amount receivable by the group companies excluding value added taxation and equivalent taxes in the ordinary course of business for services provided and goods supplied to third party customers. In respect of long term contracts and contracts for on-going services, turnover represents the value of work done in the year by reference to the stage of completion including estimates of amounts not invoiced.

Long term contracts

Profit on long term contracts is taken as the work is carried out if the financial outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of the work completed at the year end and full provision is made for all foreseeable losses.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets at the date of acquisition. Goodwill arising on acquisitions is capitalised and amortised over its estimated useful economic life. Goodwill is reviewed for impairment at least annually and any impairment is recognised immediately in the profit and loss account.

Fixed assets

Depreciation of tangible fixed assets is provided where it is necessary to reflect a reduction from the book value to estimated residual value over the estimated useful life of the asset to the group. It is the group's policy to maintain its properties in a state of good repair to prolong their estimated useful life. Freehold land is not depreciated. Depreciation of other tangible fixed assets is provided on a straight line basis using the following rates:

Freehold buildings	- 1%
Leasehold buildings	- over remaining period of lease
Plant and machinery	- between 5% and 50%

The need for any fixed asset impairment write-down is assessed by comparisons of the carrying value of the asset against the higher of net realisable value and value in use. The value in use is determined from estimated discounted future cash flows. Discount rates used are based on the circumstances of the individual businesses.

Revaluation of fixed assets

On adoption of FRS15 the group decided that no further revaluations would be undertaken. Transfers are made from the revaluation reserve to the profit and loss reserve to amortise the revaluation surplus over the useful life of the asset.

Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

C.H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

Finance leases

Finance leases, which transfer substantially all the risks and rewards of ownership of the assets concerned, are capitalised in the balance sheet at net present value. The corresponding liabilities are recorded as long term or current liabilities depending on the period when they are due. The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases as a finance cost. Capitalised leased assets are depreciated over their estimated useful life.

Operating leases

Rentals payable under operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date, at rates expected to apply when they crystallise. Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets unless there is a binding contract to dispose of such assets. Deferred tax assets are only recognised to the extent that it is likely future taxable profits will be available to reverse the timing differences.

Foreign exchange

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 in to sterling at the financial year end rates.

The results of overseas subsidiary undertakings are translated in to sterling at average rates for the year. The balance sheets of subsidiary undertakings are translated at year end rates. Differences on exchange arising from the translation of the net assets of subsidiary undertakings and foreign currency debt, financing those assets, are taken to reserves.

All other exchange differences are taken to the profit and loss account.

Pension scheme

The group operates defined contribution pension schemes which cover some of its employees. The assets of the schemes are independent of the group's finances. The schemes are funded wholly by the group and any contributions payable are charged to the profit and loss account in the year to which they relate.

Trade and other debtors

Debts are recognised and carried forward at invoiced amounts less appropriate allowances for doubtful debts.

Investments

Current asset investments consisting of bonds and equity shares which are held for resale are initially recorded at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. All purchases and sales are recognised using trade date accounting. After initial recognition, gains and losses of investments which are classified as available for sale are recognised as a separate component of equity until the investment is disposed of or until its value is impaired at which time the cumulative gain or loss is included in the profit and loss account. Gains or losses on fixed asset investments, which include investments in subsidiary companies, and are classified as held to maturity, are recognised in the profit and loss account when the investment is derecognised or impaired.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The effective interest method allocates the interest expense over the life of the instrument so as to reflect a constant return on the carrying amount of the liability. Borrowings include a component of deferred ordinary shares and preference shares in subsidiaries held by third parties that fall under the definition of financial liabilities.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share capital and treasury shares

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Where any group company purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or sold. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

1. Segmental information

Classes of business	Turnover £	Operating profit (loss) continuing operations £	Operating (loss) discontinued operations £	Net assets £
Industrial:				
2007	10,330,460	305,693	(482,285)	1,027,424
2006	9,076,471	138,348	(238,833)	904,845
Leisure:				
2007	2,387,627	(76,549)	-	6,118,186
2006	2,239,414	(282,983)	-	6,250,112
Agents, managers, consultants and investors:				
2007	18,502	(299,076)	-	1,091,795
2006	18,500	(732,314)	-	1,551,545
Total:				
2007	12,736,589	(69,932)	(482,285)	8,237,405
2006	11,334,385	(876,949)	(238,833)	8,706,502
Geographical segments				
United Kingdom:				
2007	9,645,010	(358,200)	(482,285)	1,320,881
2006	10,227,417	(244,698)	(238,833)	1,598,584
Malta, Tanzania and Rest of the World				
2007	3,091,579	288,268	-	6,916,524
2006	1,106,968	(632,251)	-	7,107,918
Total:				
2007	12,736,589	(69,932)	(482,285)	8,237,405
2006	11,334,385	(876,949)	(238,833)	8,706,502

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

	2007	2006
	£	£
2. Investment activities and other income		
Income from current asset investments	151,427	105,001
Profit (loss) on sale of current asset investments	754,232	(265,783)
(Increase) decrease in provision on current asset investments	(16,920)	159,684
Profit on disposal of subsidiary undertaking	10,032	-
Exchange (loss) gain	<u>(429,976)</u>	<u>32,238</u>
	<u>468,795</u>	<u>31,140</u>
During the year, the group disposed of the subsidiary undertaking P&D Electrical Services Limited realising a profit on disposal of £10,032.		
3. Interest receivable		
Short term bank deposits	<u>15,767</u>	<u>21,184</u>
4. Interest payable		
Bank loans and overdrafts	75,957	49,071
Directors' loans	-	34,944
Other loans	33,894	37,631
Finance leases	<u>10,544</u>	<u>6,097</u>
	<u>120,395</u>	<u>127,743</u>
5. (Loss) on ordinary activities before taxation		
In arriving at the (loss) on ordinary activities before taxation, the following amounts have been charged (credited):		
Goodwill amortisation	88,538	88,538
Depreciation continuing operations - owned assets	203,810	260,956
Depreciation continuing operations - finance leased assets	25,389	9,708
(Profit) on disposal of tangible fixed assets	(3,920)	(6,436)
Administrative expenses:		
Directors' remuneration (note 7)	99,475	101,166
Auditor's fees		
- statutory audit	30,280	27,817
- audit related services	13,520	13,633
- tax compliance services	7,500	7,500
- interim review	9,000	9,000
Overseas auditors' fees		
- statutory audit	18,359	7,904
- audit related services	12,402	8,682
Rental payments under operating leases	<u>200,375</u>	<u>208,306</u>

C.H. BAILEY PLC

NOTES TO THE ACCOUNTS
YEAR ENDED 31ST MARCH 2007

	2007	2006
	£	£
6. Taxation		
Current tax - overseas	5,542	6,821
Deferred tax (credit)	<u>(60,998)</u>	<u>(195,123)</u>
	<u>(55,456)</u>	<u>(188,302)</u>

The group has tax losses available from previous accounting periods.

Deferred tax

Movement on deferred tax asset	<u>(60,998)</u>	<u>(195,123)</u>
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Factors affecting tax charge for the year

Tax on (loss) on ordinary activities before tax at 30%	(197,054)	(410,004)
Non-deductable expenses	34,108	34,470
Other timing differences	(12,383)	(9,830)
Deferred tax	60,998	195,123
Differences arising on overseas earnings	(1,387)	128,199
Differences arising on capital sales and investment income	29,093	(4,558)
Deferred tax on losses not recoverable	<u>92,167</u>	<u>73,421</u>
Current tax	<u>5,542</u>	<u>6,821</u>

7. Employee information

The average number of employees of the group (including directors) was as follows:

Management	19	19
Administration	39	37
Production	<u>186</u>	<u>178</u>
	<u>244</u>	<u>234</u>

Staff costs (including directors' emoluments) were as follows:

	£	£
Wages and salaries	4,470,614	4,083,172
Social security costs	439,937	391,983
Pensions (defined contribution schemes)	<u>26,462</u>	<u>30,672</u>
	<u>4,937,013</u>	<u>4,505,827</u>

The number of directors accruing retirement benefits under defined contribution schemes

	<u>1</u>	<u>1</u>
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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

11. Tangible fixed assets

Group	Freehold land and buildings £	Leasehold land and buildings under 50 years £	Plant and machinery £	Total £
At directors' valuation 1972	-	157,500	-	157,500
At independent valuation 1974	-	491,037	-	491,037
At independent valuation 1978	3,413,175	-	-	3,413,175
At directors' valuation 1996	-	-	61,925	61,925
At cost	2,304,922	1,409,346	2,368,240	6,082,508
Cost or valuation 31st March 2006	5,718,097	2,057,883	2,430,165	10,206,145
Exchange rate adjustments	(112,258)	(98,236)	(21,301)	(231,795)
Additions	174,776	306,632	243,435	724,843
Disposals	-	-	(30,849)	(30,849)
At 31st March 2007	5,780,615	2,266,279	2,621,450	10,668,344
Depreciation 31st March 2006	177,520	783,670	1,732,550	2,693,740
Exchange rate adjustments	(3,485)	(20,357)	6,289	(17,553)
Charge for year	29,944	59,037	140,218	229,199
Eliminated on disposal	-	-	(26,329)	(26,329)
At 31st March 2007	203,979	822,350	1,852,728	2,879,057
Net book value				
2007	5,576,636	1,443,929	768,722	7,789,287
2006	5,540,577	1,274,213	697,615	7,512,405
Company				
At directors' valuation 1996	-	-	7,700	7,700
Cost or valuation 31st March 2006	-	-	7,700	7,700
At 31st March 2007	-	-	7,700	7,700
Depreciation 31st March 2006	-	-	2,002	2,002
Charge for year	-	-	385	385
At 31st March 2007	-	-	2,387	2,387
Net book value				
2007	-	-	5,313	5,313
2006	-	-	5,698	5,698

The net book value of plant and machinery held under finance leases is made up as follows:

	2007	2006
Cost	301,281	124,413
Accumulated depreciation	(48,152)	(18,190)
Net book value	253,129	106,223

The historic cost of freehold property valued in 1978 amounts to £1,173,780. In the opinion of the directors, unreasonable expense would be incurred in obtaining the original cost of other revalued assets.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

12. Fixed asset investments

	2007	2006
Company	£	£
Cost 31st March 2006	8,201,632	8,201,632
Disposal	(499,290)	-
At 31st March 2007	<u>7,702,342</u>	<u>8,201,632</u>

The investments consist of subsidiary undertakings.
The principal subsidiary undertakings are shown on page 30.

13. Stock and work in progress

Group		
Stock	180,584	216,090
Work in progress	-	186,064
	<u>180,584</u>	<u>402,154</u>

There were no significant differences between the replacement cost and the values disclosed for stock.

	Group		Company	
	2007	2006	2007	2006
14. Debtors	£	£	£	£
Amounts falling due within one year:				
Trade debtors	2,023,950	2,832,103	-	-
Amounts recoverable on long term contracts	1,383,304	799,800	-	-
Due from subsidiary undertakings	-	-	2,284,776	2,596,299
Other debtors	782,879	66,190	49,055	28,256
Prepayments and accrued income	216,771	206,673	51,675	48,745
	<u>4,406,904</u>	<u>3,904,766</u>	<u>2,385,506</u>	<u>2,673,300</u>
Amounts falling due after more than one year:				
Deferred tax	708,444	647,446	484,551	373,772
	<u>5,115,348</u>	<u>4,552,212</u>	<u>2,870,057</u>	<u>3,047,072</u>

15. Current asset investments

Listed investments	1,767,318	2,259,892	898,250	832,325
Unlisted investments	98,297	142,858	82,680	99,600
	<u>1,865,615</u>	<u>2,402,750</u>	<u>980,930</u>	<u>931,925</u>
Listed investments market value	<u>1,767,318</u>	<u>2,259,892</u>	<u>898,250</u>	<u>832,325</u>
Unlisted investments market value	<u>142,858</u>	<u>142,858</u>	<u>82,680</u>	<u>99,600</u>

C.H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
16. Creditors				
Amounts falling due within one year:				
Bank loans and overdrafts	576,186	268,326	-	-
Finance lease obligations	59,599	41,448	-	-
Trade creditors	1,443,971	1,744,358	126,387	160,169
Payments on account	1,747,033	1,774,886	-	-
Due to subsidiary undertakings	-	-	3,917,315	4,203,917
Social security and other taxes	294,703	356,928	48,205	9,730
Directors' loans	380,159	581,730	380,159	581,730
Other creditors	568,388	210,085	541,744	185,831
Accruals and deferred income	439,786	357,423	83,551	64,186
	<u>5,509,825</u>	<u>5,335,184</u>	<u>5,097,361</u>	<u>5,205,563</u>
Other loan	647,335	729,654	-	-
	<u><u>6,157,160</u></u>	<u><u>6,064,838</u></u>	<u><u>5,097,361</u></u>	<u><u>5,205,563</u></u>

The other loan is in respect of a related company, Equity Involvement Trust Limited. During the year, interest payable on the loan of £33,894 (2006: £37,631) was charged to the profit and loss account.

17. Creditors

Amounts falling due after more than one year:

Bank loans	724,691	309,812	-	-
Finance lease obligations	82,721	53,452	-	-
Cumulative preference shares	530,180	530,180	-	-
	<u>1,337,592</u>	<u>893,444</u>	<u>-</u>	<u>-</u>

Bank loans

In more than one year but not more than two years	151,340	66,795	-	-
In more than two years but not more than five years	398,360	188,608	-	-
In more than five years	174,991	54,409	-	-
	<u>724,691</u>	<u>309,812</u>	<u>-</u>	<u>-</u>

Finance lease obligations

In more than one year but not more than two years	47,312	29,575	-	-
In more than two years but not more than five years	35,409	23,877	-	-
	<u>82,721</u>	<u>53,452</u>	<u>-</u>	<u>-</u>

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

18. Provisions for liabilities and charges

	Insurance	Legal	Losses on long term contracts	Warranty	Total
Group	£	£	£	£	£
At 31st March 2006	102,988	107,500	8,075	27,045	245,608
Transfer to profit and loss account	(102,988)	12,000	(8,075)	(11,040)	(110,103)
At 31st March 2007	-	119,500	-	16,005	135,505
Company					
At 31st March 2006	102,988	107,500	-	-	210,488
Transfer to profit and loss account	(102,988)	12,000	-	-	(90,988)
At 31st March 2007	-	119,500	-	-	119,500

19. Share capital

	2007	2006
	£	£
Authorised:		
60,000,000 ordinary shares of 10p each	<u>6,000,000</u>	<u>6,000,000</u>
Issued and fully paid:		
8,335,414 ordinary shares of 10p each	<u>833,541</u>	<u>833,541</u>

The company retains as treasury shares 142,434 ordinary shares.

C.H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

20. Reserves

Group	Called up share capital £	Share premium account £	Capital redemption reserve £	Investment in own shares £	Revaluation reserve £	Other reserves £	Investment revaluation reserve £	Profit and loss account £	Minority interest £	Total £
At 31st March 2006	833,541	609,690	5,163,332	(187,528)	1,717,035	743,143	707,854	(771,780)	(108,785)	8,706,502
Investments available for resale	-	-	-	-	-	-	(71,502)	-	-	(71,502)
Transfer	-	-	-	-	(18,887)	12,994	-	5,893	-	-
Loss for the financial year	-	-	-	-	-	-	-	(619,934)	18,545	(601,389)
Exchange rate adjustments	-	-	-	-	(29,621)	(39,474)	-	273,770	(881)	203,794
At 31st March 2007	833,541	609,690	5,163,332	(187,528)	1,668,527	716,663	636,352	(1,112,051)	(91,121)	8,237,405
Company										
At 31st March 2006	833,541	609,690	5,163,332	(187,528)	-	-	309,495	627,704	-	7,356,234
Investments available for resale	-	-	-	-	-	-	65,925	-	-	65,925
Loss for the financial year	-	-	-	-	-	-	-	(1,027,636)	-	(1,027,636)
At 31st March 2007	833,541	609,690	5,163,332	(187,528)	-	-	375,420	(399,932)	-	6,394,523

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

21. Prior year adjustments

The prior year adjustment in the previous year of £232,235 arose as a result of the revaluation of investments held for resale.

	2007	2006
22. Reconciliation of movement in shareholders' funds		
	£	£
(Loss) for the financial year	(619,934)	(1,228,706)
Revaluation of investments held for resale	(71,502)	475,619
Exchange rate adjustments	204,675	58,879
Total recognised (loss) for the year	<u>(486,761)</u>	<u>(694,208)</u>
Revaluation of investments held for resale - prior year adjustment	-	232,235
Total recognised (loss) since last annual report	<u>(486,761)</u>	<u>(461,973)</u>
Purchase of investment in own shares	-	(187,528)
Sale of investment in own shares	-	883,774
Net movement in shareholders' funds	<u>(486,761)</u>	<u>234,273</u>
At 31st March 2006	<u>8,815,287</u>	<u>8,581,014</u>
At 31st March 2007	<u><u>8,328,526</u></u>	<u><u>8,815,287</u></u>

23. Earnings and net assets per share

The calculation of earnings per share is based on the loss for the year divided by the weighted average number of new ordinary shares of 8,192,980 (2006: 8,063,267) which excludes own shares held.

The net assets per share is based on 8,192,980 (2006: 8,192,980) new ordinary shares of 10p each in issue excluding own shares held. There are no share options, convertible equity or debt instruments in issue.

C.H. BAILEY PLC

NOTES TO THE ACCOUNTS
YEAR ENDED 31ST MARCH 2007

24. Reconciliation of operating (loss) to net cash (outflow) from operating activities

	2007	2006
	£	£
Operating loss	(552,217)	(1,115,782)
Goodwill amortisation	88,538	88,538
Depreciation	229,199	270,664
Loss (profit) on sale of tangible fixed assets	3,920	(6,436)
(Profit) loss on sale of investments	(754,232)	265,783
(Profit) on sale of subsidiary undertaking	(10,032)	-
Provision against cost of investments	16,920	(159,684)
Exchange rate adjustments	479,466	(21,394)
Decrease in stock and work in progress	221,570	369,803
(Increase) in debtors	(502,138)	(1,927,443)
(Decrease) increase in creditors	(59,902)	2,064,839
Working capital transferred on sale of subsidiary undertaking	110,032	-
Restructuring costs	-	(144,340)
Net cash (outflow) from operating activities	<u>(728,876)</u>	<u>(315,452)</u>

25. Analysis of cash and cash equivalents

	2006	Cash flow	Exchange rate	2007
	£	£	adjustments	£
			£	
Cash and bank overdrafts	(503,543)	176,707	(8,260)	(335,096)
Liquid resources	514,769	(452,560)	(59,252)	2,957
	11,226	(275,853)	(67,512)	(332,139)
Other loans due within one year	(729,654)	82,319	-	(647,335)
Finance leases	(94,900)	(47,420)	-	(142,320)
Bank loans due after more than one year	(309,812)	(420,961)	6,082	(724,691)
Net funds/(debt)	<u>(1,123,140)</u>	<u>(661,915)</u>	<u>(61,430)</u>	<u>(1,846,485)</u>

Liquid resources comprise short-term bank and money market deposits.

26. Contingencies and capital commitments

A cross guarantee and debenture has been given by the company and certain of the UK subsidiary undertakings to secure bank borrowings. These borrowings at 31st March 2007 amounted to £128,051 (2006: £Nil). The company borrowings are secured by a charge over the leasehold land and buildings at Alexandra Dock, Newport and certain current asset investments.

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

St Georges Bay Hotel Limited (Malta) has secured its bank borrowings up to a limit of £744,010 (2006: £565,145) by a charge over its assets. These borrowings as at 31st March 2007 amounted to £479,619 (2006: £412,154).

Cordura Limited (Tanzania) has secured its bank borrowings up to a limit of £1,528,818 (2006: £Nil) by a charge over its assets. These borrowings as at 31st March 2007 amounted to £389,451 (2006: £Nil).

The directors are of the opinion that the calculation of the capital gains tax which would become payable under present legislation in the event of future disposals of tangible fixed assets at the valuation stated in note 11 would serve no useful purpose.

There are no capital commitments in respect of contracted expenditure (2006: £Nil).

27. Post balance sheet event

There have been no post balance sheet events requiring disclosure.

28. Obligations under operating leases

Annual commitments under operating leases on land and buildings are under agreements expiring:

	2007	2006
	£	£
Within one year	2,178	6,297
Between one and five years	40,000	40,000
After five years	152,227	144,227
	<u>194,405</u>	<u>190,524</u>

29. Related party transactions

There are loans due to the directors at 31st March 2007 of £380,159 (2006: £581,730). This is made up of a balance due to Mrs S.A. Bailey of £82,112 (2006: £100,363) and a balance due to Mr Charles H. Bailey of £298,047 (2006: £481,367) on which no interest was charged (2006: £34,944).

C.H. BAILEY PLC

NOTES TO THE ACCOUNTS
YEAR ENDED 31ST MARCH 2007

30. Currency and interest rate exposure of financial assets and liabilities

	2007	2006
	£	£
Short-term deposits	2,957	514,769
Cash and bank overdraft	<u>(335,096)</u>	<u>(503,543)</u>
	(332,139)	11,226
Other loans due within one year	(724,691)	(729,654)
Finance leases	(142,320)	(94,900)
Bank loans due after more than one year	<u>(647,335)</u>	<u>(309,812)</u>
Net borrowings	(1,846,485)	(1,123,140)
Current asset investments	1,865,615	2,402,750
Other net operating assets	<u>8,218,275</u>	<u>7,426,892</u>
Total net assets	<u><u>8,237,405</u></u>	<u><u>8,706,502</u></u>
Net borrowings	(313,395)	531,612
	Dollar	(1,134,826)
	Sterling	(398,264)
	Other	<u>(1,846,485)</u>
		<u>531,612</u>
		<u>(1,315,075)</u>
		<u>(339,677)</u>
		<u>(1,123,140)</u>
Current assets investments	752,346	851,838
	Dollar	980,930
	Sterling	132,339
	Other	<u>1,865,615</u>
		<u>851,838</u>
		<u>1,261,932</u>
		<u>288,980</u>
		<u>2,402,750</u>

Short term debtors and creditors have been excluded from the analysis of net borrowings.

Bank borrowings are at floating interest based on the relevant LIBOR equivalent. At 31st March 2007 the group had £3,472,828 (2006: £1,336,145) of committed facilities of which £1,197,121 (2006: £576,029) was utilised.

31. Financial risk management objectives and policies

The group holds or issues financial instruments in order to achieve three main objectives, being:

- To finance its operations;
- To manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and
- For trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the group's operations.

Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction excluding accrued interest.

For borrowings not at fixed rates of interest it is assumed that the carrying amount is equal to the fair value and accordingly, the group believes that there is no material difference between the carrying amount and the fair value of its financial instruments (cash at bank or borrowings). Transactions in financial instruments result in the group assuming or transferring to another party one or more of the financial risks described below:

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2007

Liquidity risk: The group's policy regarding liquidity risk is to ensure that it has sufficient facilities to meet foreseeable future needs.

Currency risk: The group's policy is explained on page 14. Foreign investments are financed from the group's reserves.

Interest rate risk: The risk to the group is reviewed on a regular basis.

Credit risk: The group monitors credit risk closely and considers that its current policies meet its objectives of managing exposure to credit risk. The company has no significant concentrations of credit risk.

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MAJOR SUBSIDIARY UNDERTAKINGS

	Percentage of ordinary share capital held	Principle activities
Industrial division:		
Libwelsh Limited	100%	Asset owning and hiring
Midway Precision Limited	100%	Engineering
Modular Automation International Limited	79%	Design and manufacture of automation systems
Specialist Heavy Engineers Limited	100%	Engineering
Leisure:		
Bay Travel Limited	100%	Travel agency
St. George's Bay Hotel Limited (Malta)	99%	Operation of hotel
Cordura Limited (Tanzania)	100%	Operation of hotel and safari camps
Other activities:		
Industrial Investment Corporation Limited (Bermuda)	100%	Agents, managers, consultants and investors

All companies are incorporated and operate in the United Kingdom, except where indicated above.

C. H. BAILEY PLC

5 YEAR STATEMENT

	2003	2004	Restated 2005	2006	2007
	£'000	£'000	£'000	£'000	£'000
Turnover	3,376	4,633	6,815	11,334	12,737
Operating profit (loss)	(2,622)	(1,153)	(1,049)	(1,116)	(552)
Exceptional items	-	-	311	(144)	-
Net interest receivable (payable)	(37)	(82)	(129)	(107)	(105)
(Loss) before taxation	(2,659)	(1,235)	(867)	(1,367)	(657)
Taxation	195	(385)	73	188	56
(Loss) after taxation	(2,464)	(1,620)	(794)	(1,179)	(601)
Minority interest	2	-	13	(50)	(19)
(Loss) for the financial year	(2,462)	(1,620)	(781)	(1,229)	(620)
Fixed Assets	8,660	8,280	8,216	8,274	8,462
Net current assets	3,611	2,325	1,466	1,572	1,248
Non current liabilities	(757)	(444)	(1,028)	(1,139)	(1,473)
Net assets	11,514	10,161	8,654	8,707	8,237
Earnings per share	(29.54p)	(19.44p)	(9.87p)	(15.24p)	(7.57p)
Net assets per share	£1.38	£1.22	£1.15	£1.06	£1.01