

C H BAILEY PLC

Chairman's statement and financial results for the year ended 31 March 2008

Overview

	2007/8	2006/7	2005/6	2004/5
	£	£	£	£
Revenue – continuing operations	11,458,760	11,021,082	9,821,783	6,614,785
Increase in revenue	3.97%	12.21%	48.48%	42.77%
Gross profit – continuing operations	2,316,163	2,839,115	2,425,675	764,697
Gross profit margin	20.22%	25.76%	24.70%	11.56%
Operating loss on continuing operations before exceptional items, investment activities and depreciation	(901,331)	(223,418)	(555,323)	(1,115,603)
(Loss) for the financial year	(2,162,787)	(691,436)	(1,228,706)	(781,439)
(Loss) per share from continuing operations	(26.40)p	(2.68)p	(12.28)p	(8.50)p
(Loss) per share from total operations	(26.40)p	(8.44)p	(15.24)p	(9.87)p

UK Operations

I reported in my Interim Statement to 30th September 2007 that our UK engineering companies had seen a reduction in sales across the board in the first half of the year. Although the level of enquiries increased, they did not convert into confirmed sales and the improvement we had been expecting in the performance of the engineering division in the second half of the year did not materialise. Before exceptional write-downs the division made a loss for the year of £194,485 (2007 £295,661 profit).

The UK economy is currently experiencing a downturn with reduced levels of trading activity, and our customers have been reluctant to commit to capital expenditure. As a result, Modular Automation International Limited (MAIL) has not been meeting its sales targets. In July 2008, we engaged the services of Smith's Corporate Advisory Limited to identify the most appropriate strategic partner for MAIL in order to grow the business and take it to the next level. That process is ongoing with interested parties, who have expressed a wish to take the matter further.

Malta

In my Interim Statement, I reported that we would be addressing the issue of the re-development of the hotel in the New Year. I can report that we have engaged the services of a project manager who has had meetings with architects and planners as to the possibilities of maximising the potential of the site within the constraints of the North

Harbour Local Plan. Meanwhile, the hotel has continued to trade profitably during the year.

Tanzania

During the year, the development at the Oyster Bay Hotel complex has progressed and work is scheduled to be completed in October 2008. Following the re-development of the new hotel, bookings have increased which will contribute to the Tanzanian operations.

Beho Beho, your safari camp in the Selous Game Reserve continued to increase its revenue over the year. Mikumi Wildlife Camp has also increased its revenues and contributes to group.

Investments

With the turmoil in world markets, the Group's investments have been affected. It is difficult to predict what lies ahead with volatile exchange rates and commodity prices but we remain confident that the company's investment advisors will manage the funds prudently.

Adoption of International Financial Reporting Standards

This is the first year in which the Group's annual results have been prepared in accordance with International Financial Reporting Standards. The previous year's results have been restated accordingly.

Current Trading

As previously mentioned, world trade has seen a severe downturn over the last twelve months and it is difficult to predict what the next year will bring.

We believe that the Group is capable of weathering the storm and is able to take advantage of opportunities that may arise. However, in the current difficult trading environment, decisions may have to be made over the next twelve months that will affect the short term but provide a more solid base in the long term.

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

Charles H Bailey
17 September 2008

Consolidated income statement
Year ended 31 March 2008

	2008	2007
	£	£
		(restated)
Continuing operations		
Revenue	11,458,760	11,021,082
Cost of sales	(9,142,597)	(8,181,967)
Gross profit	<u>2,316,163</u>	<u>2,839,115</u>
Administrative expenses	(4,077,001)	(3,377,842)
Trading (loss)	<u>(1,760,838)</u>	<u>(538,727)</u>
Investment activities and other income	(35,032)	387,261
Operating (loss)	<u>(1,795,870)</u>	<u>(151,466)</u>
EBITDA*	(936,363)	163,843
Depreciation	(294,266)	(222,851)
Goodwill impairment	(565,087)	(88,538)
(Loss) on the sale of property, plant and equipment	(154)	(3,920)
Operating (loss)	<u>(1,795,870)</u>	<u>(151,466)</u>
Finance income	5,500	15,767
Finance costs	(220,837)	(120,395)
(Loss) before taxation	<u>(2,011,207)</u>	<u>(256,094)</u>
Taxation	(24,886)	55,456
Minority interest	(126,694)	(18,545)
(Loss) for the year from continuing operations	<u>(2,162,787)</u>	<u>(219,183)</u>
Discontinued operations		
(Loss) for the year from discontinued operations	-	(472,253)
(Loss) for the financial year	<u>(2,162,787)</u>	<u>(691,436)</u>
(Loss) per share from continuing operations	(26.40p)	(2.68p)
(Loss) per share from total operations	(26.40p)	(8.44p)

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

Consolidated balance sheet
31 March 2008

	2008	2007
	£	£
		(restated)
Non-current assets		
Goodwill	107,694	672,781
Property, plant and equipment	10,353,515	7,738,117
Lease prepayments	38,474	44,822
Deferred tax asset	524,436	549,322
	<u>11,024,119</u>	<u>9,005,042</u>
Current assets		
Inventories	156,834	180,584
Trade and other receivables	2,976,789	4,413,252
Current asset investments	1,320,753	1,865,615
Cash and cash equivalents	416,180	244,047
	<u>4,870,556</u>	<u>6,703,498</u>
Current liabilities		
Trade and other payables (note 1)	(4,050,832)	(4,874,040)
Bank loans and overdrafts	(1,517,909)	(576,186)
Other loans	(652,754)	(647,335)
Obligations under finance leases	(69,274)	(59,599)
Provisions	(259,180)	(135,505)
	<u>(6,549,949)</u>	<u>(6,292,665)</u>
Net current assets	<u>(1,679,393)</u>	<u>410,833</u>
Total assets less current liabilities	<u>9,344,726</u>	<u>9,415,875</u>
Non-current liabilities		
Bank loans	(2,007,148)	(724,691)
Obligations under finance leases	(79,033)	(82,721)
Cumulative preference shares	(530,180)	(530,180)
Deferred tax liabilities	(819,303)	(700,082)
Net assets	<u>5,909,062</u>	<u>7,378,201</u>
Equity		
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)	(187,528)
Translation reserve	195,695	(171,860)
Retained earnings	(739,048)	1,222,147
Surplus attributable to the parent's shareholders	<u>5,875,682</u>	<u>7,469,322</u>
Minority interest	33,380	(91,121)
Total equity	<u>5,909,062</u>	<u>7,378,201</u>

Consolidated cash flow statement
Year ended 31 March 2008

	2008	2007
	£	£
		(restated)
Cash flows from operating activities		
Cash generated from operations	(714,897)	(728,876)
Interest paid	(220,837)	(120,395)
Overseas tax paid	-	(5,542)
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Net cash flow from operating activities	(935,734)	(854,813)
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Investing activities		
Sale of property, plant and equipment	8,145	600
Purchase of property, plant and equipment	(1,921,014)	(724,843)
Investment in associated undertaking	-	(100,000)
Sale of investments	364,224	1,803,375
Purchase of investments	(142,451)	(600,430)
Interest received	5,500	15,767
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Net cash flow from investing activities	(1,685,596)	394,469
	<hr/>	<hr/>
Financing activities		
Movement in bank loans	1,229,412	420,961
Movement in directors' loans	636,292	(201,571)
Movement in other loans	5,419	(82,319)
Movement in capital element of finance leases	5,987	47,420
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Net cash flow from financing activities	1,877,110	184,491
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Net decrease in cash and cash equivalents	(744,220)	(275,853)
Cash and cash equivalents at beginning of year	(332,139)	11,226
Exchange differences	(25,370)	(67,512)
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Cash and cash equivalents at end of year	(1,101,729)	(332,139)
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Reconciliation of net cash flow to movement in net debt in the year

	£	£
Net decrease in cash and cash equivalents	(744,220)	(275,853)
Cash inflow from the increase in debt	(1,240,818)	(386,062)
Movement in net debt during the year	(1,985,038)	(661,915)
Net debt at the beginning of the year	(1,846,485)	(1,123,140)
Exchange differences	(78,415)	(61,430)
Net debt at the end of the year	(3,909,938)	(1,846,485)

Consolidated statement of recognised income and expense Year ended 31 March 2008

	£	£
(Loss) for the year attributable to parent's equity shareholders	(2,162,787)	(691,436)
Exchange differences	569,147	204,675
Total recognised income and expense for the year attributable to parent's equity shareholders	(1,593,640)	(486,761)
Adjustment arising on adoption of IFRS	(859,204)	-
Total recognised income and expense since last annual report	(2,452,844)	(486,761)

Notes

1. Included within trade and other payables at 31 March 2008 is an unsecured director's loan from Mr C H Bailey of £980,230 (31 March 2007: £298,047), of which £738,856 bears interest at a commercial rate and the balance of £241,374 does not bear interest. Interest of £14,496 was charged on this loan in the year ended 31 March 2008 (31 March 2007: £Nil). The directors of CH Bailey Plc (other than Mr Bailey himself, who has not participated in the Board's discussions on the matter) consider, having consulted with Arden Partners plc, the Company's nominated adviser, that the terms of Mr Bailey's loan are fair and reasonable in so far as the Company's shareholders are concerned.

2. 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 2008 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 2007 (which were prepared under UK GAAP and have been restated above under IFRS) was unqualified and there was no statement under either section 237(2) or section 237(3). Full accounts for the year ended 31 March 2007 have been filed at Companies House.

3. Copies of the 2008 annual report and accounts, which will be sent to shareholders shortly, can be obtained from the registered office of the Company or from the Company's website www.chbaileyplc.co.uk.

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