

C. H. BAILEY PLC

Directors	CHARLES H. BAILEY Chairman and Managing Director MRS S. A. BAILEY Sir WILLIAM McALPINE Bt. 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-fifth annual general meeting of C.H. Bailey Plc will be held at Newport Rugby Football Club, Rodney Parade, Newport, NP19 0UU on 17th November 2008 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 2008.
2. To re-appoint the auditors and authorise the directors to determine their remuneration.
3. To re-elect as director Mr D.C. Orchard who retires by rotation and, being eligible, offers himself for re-election.
4. 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 15th November 2008 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.
17th September 2008

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 2008

Overview

	2007/8	2006/07	2005/06	2004/05
	£	£	£	£
Revenue - continuing operations	11,458,760	11,021,082	9,821,783	6,614,785
Increase in revenue	<i>3.97%</i>	<i>12.21%</i>	<i>48.48%</i>	<i>42.77%</i>
Gross profit - continuing operations	2,316,163	2,839,115	2,425,675	764,697
Gross profit margin	<i>20.22%</i>	<i>25.76%</i>	<i>24.70%</i>	<i>11.56%</i>
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	(26.40p)	(2.68p)	(12.28p)	(8.50p)
(Loss) per share from total operations	(26.40p)	(8.44p)	(15.24p)	(9.87p)

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.

C. H. BAILEY PLC

CHAIRMAN'S STATEMENT AND FINANCIAL RESULTS YEAR ENDED 31ST MARCH 2008

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
17th September 2008

C. H. BAILEY PLC

CHAIRMAN'S STATEMENT AND FINANCIAL RESULTS YEAR ENDED 31ST MARCH 2008

The directors submit their report and accounts for the year ended 31st March 2008.

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 £2,162,787 (2007: loss restated £691,436).

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 2008 (2007: £Nil).

Change in fixed assets

A summary of the changes in goodwill is given in note 14 to the accounts.

A summary of the changes in property, plant and equipment is given in note 15 to the accounts.

A summary of the changes in investments in subsidiary undertakings is given in note 17 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 £6,000,000.

Consolidation and purchase of own shares

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

Directors

The board of directors on 31st March 2008 consisted of Charles H. Bailey, Mrs S.A. Bailey, Sir William McAlpine Bt. and Mr D.C. Orchard. The director retiring by rotation is Mr D.C. Orchard, who, being eligible, offers himself for re-election. No director had, in the financial year to 31st March 2008, 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 William McAlpine Bt., 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

DIRECTOR'S REPORT YEAR ENDED 31ST MARCH 2008

Interests in the capital of the group

Directors

The directors had the following interests in the company's issued ordinary share capital:

	12 th September 2008	31 st March 2008	31 st March 2007
Charles H. Bailey	4,251,060	4,251,060	343,169
Mrs S. A. Bailey	1,214,378	1,214,378	5,122,269
Sir William McAlpine Bt.	1,111	1,111	1,111
D.C. Orchard	8,000	8,000	8,000

Substantial shareholdings

The company has been notified of the following interest in the company's issued ordinary share capital:

P. S. Allen	441,169	441,169	441,169
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Director's loans

Included within trade and other payables at 31 March 2008 is an unsecured director's loan from Charles 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

Charitable and political contributions

During the year the group made no contributions of a charitable or political nature (2007: £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.

C. H. BAILEY PLC

DIRECTOR'S REPORT YEAR ENDED 31ST MARCH 2008

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 environmental and social policy

It is the group's policy 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.

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
17th September 2008

By order of the board
B.J. Warren
Secretary

C. H. BAILEY PLC

DIRECTOR'S REPORT YEAR ENDED 31ST MARCH 2008

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare financial statements for the company in accordance with IFRS. The group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the EU IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS's. However, directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

C. H. BAILEY PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C.H.BAILEY PLC YEAR ENDED 31ST MARCH 2008

We have audited the group and individual company financial statements of C.H. Bailey Plc for the year ended 31st March 2008, which comprise the group income statement, the group and individual balance sheets, the group cash flow statement, the group statement of recognised income and expense 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and international financial reporting standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

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 and article 4 of the IAS regulation. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and other transactions 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 (UK and Ireland) 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.

C. H. BAILEY PLC

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF C.H.BAILEY PLC
YEAR ENDED 31ST MARCH 2008**

Opinion

In our opinion the financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union, of the state of affairs of the company and the group as at 31st March 2008 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 article 4 of the IAS regulation and the information given in the directors' report is consistent with the financial statements

NEWPORT, South Wales
17th September 2008

WALTER HUNTER & CO LIMITED
Chartered Accountants and
Registered Auditors

C. H. BAILEY PLC

**CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31ST MARCH 2008**

	Notes	2008 £	2007 £
Continuing operations			
Revenue	4	11,458,760	11,021,082
Cost of sales		<u>(9,142,597)</u>	<u>(8,181,967)</u>
Gross profit		2,316,163	2,839,115
Administrative expenses		<u>(4,077,001)</u>	<u>(3,377,842)</u>
Trading (loss)		(1,760,838)	(538,727)
Investment activities and other income	5	<u>(35,032)</u>	<u>387,261</u>
Operating (loss)		(1,795,870)	(151,466)
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		<u>(154)</u>	<u>(3,920)</u>
Operating (loss)		(1,795,870)	(151,466)
Finance income	6	5,500	15,767
Finance costs	7	<u>(220,837)</u>	<u>(120,395)</u>
(Loss) before taxation	8	(2,011,207)	(256,094)
Taxation	11	(24,886)	55,456
Minority interest		<u>(126,694)</u>	<u>(18,545)</u>
(Loss) for the year from continuing operations		(2,162,787)	(219,183)
Discontinued operations			
(Loss) for the year from discontinued operations	12	<u>-</u>	<u>(472,253)</u>
(Loss) for the financial year		<u>(2,162,787)</u>	<u>(691,436)</u>
(Loss) per share from continuing operations	13	(26.40p)	(2.68p)
(Loss) per share from total operations	13	(26.40p)	(8.44p)

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

C. H. BAILEY PLC

BALANCE SHEETS AT 31ST MARCH 2008

		Group		Company	
	Notes	2008	2007	2008	2007
		£	£	£	£
Non-current assets					
Goodwill	14	107,694	672,781	-	-
Property, plant and equipment	15	10,353,515	7,738,117	-	5,313
Lease prepayments	16	38,474	44,822	-	-
Investments in subsidiary undertakings	17	-	-	6,833,363	7,702,342
Deferred tax asset	18	524,436	549,322	260,419	325,429
		<u>11,024,119</u>	<u>9,005,042</u>	<u>7,093,782</u>	<u>8,033,084</u>
Current assets					
Stocks	19	156,834	180,584	-	-
Trade and other receivables	20	2,976,789	4,413,252	1,879,960	2,385,506
Current asset investments	21	1,320,753	1,865,615	630,110	980,930
Cash and cash equivalents	22	416,180	244,047	2,722	52,742
		<u>4,870,556</u>	<u>6,703,498</u>	<u>2,512,792</u>	<u>3,419,178</u>
Current liabilities					
Trade and other payables	23	(4,050,832)	(4,874,040)	(4,028,985)	(5,097,361)
Bank loans and overdrafts	24	(1,517,909)	(576,186)	(421,379)	-
Other loans	24	(652,754)	(647,335)	-	-
Obligations under finance leases	25	(69,274)	(59,599)	-	-
Provisions	26	(259,180)	(135,505)	(200,000)	(119,500)
		<u>(6,549,949)</u>	<u>(6,292,665)</u>	<u>(4,650,364)</u>	<u>(5,216,861)</u>
Net current assets		<u>(1,679,393)</u>	<u>410,833</u>	<u>(2,137,572)</u>	<u>(1,797,683)</u>
Total assets less current liabilities		9,344,726	9,415,875	4,956,210	6,235,401
Non-current liabilities					
Bank loans	24	(2,007,148)	(724,691)	-	-
Obligations under finance leases	25	(79,033)	(82,721)	-	-
Cumulative preference shares	24	(530,180)	(530,180)	-	-
Deferred tax liabilities	27	(819,303)	(700,082)	-	-
Net assets		<u>5,909,062</u>	<u>7,378,201</u>	<u>4,956,210</u>	<u>6,235,401</u>
Equity					
Called-up share capital	28	833,541	833,541	833,541	833,541
Share premium account	29	609,690	609,690	609,690	609,690
Capital redemption reserve	29	5,163,332	5,163,332	5,163,332	5,163,332
Investment in own shares	29	(187,528)	(187,528)	(187,528)	(187,528)
Translation reserve	29	195,695	(171,860)	-	-
Retained earnings	29	(739,048)	1,222,147	(1,462,825)	(183,634)
Surplus attributable to the parent's shareholders		5,875,682	7,469,322	4,956,210	6,235,401
Minority interest	29	33,380	(91,121)	-	-
Total equity		<u>5,909,062</u>	<u>7,378,201</u>	<u>4,956,210</u>	<u>6,235,401</u>

These financial statements were approved by the board of directors on 17th September 2008 and were signed on its behalf by:

CHARLES H. BAILEY, Director

C. H. BAILEY PLC

**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31ST MARCH 2008**

	Notes	2008 £	2007 £
Cash flows from operating activities			
Cash generated from operations	30	(714,897)	(728,876)
Interest paid		(220,837)	(120,395)
Overseas tax paid		-	(5,542)
Net cash flow from operating activities		<u>(935,734)</u>	<u>(854,813)</u>
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
Net cash flow from investing activities		<u>(1,685,596)</u>	<u>394,469</u>
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
Net cash flow from financing activities		<u>1,877,110</u>	<u>184,491</u>
Net decrease in cash and cash equivalents		(744,220)	(275,853)
Cash and cash equivalents at beginning of year	31	(332,139)	11,226
Exchange differences		(25,370)	(67,512)
Cash and cash equivalents at end of year	31	<u>(1,101,729)</u>	<u>(332,139)</u>
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		<u>(1,985,038)</u>	<u>(661,915)</u>
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	31	<u>(3,909,938)</u>	<u>(1,846,485)</u>

C. H. BAILEY PLC

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE YEAR ENDED 31ST MARCH 2008

	2008	2007
	£	£
(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)

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

1. General information

Legal status and country of incorporation

C.H.Bailey Plc, company number 190106, is incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 1. The principle activities are set out in the Directors' Report on pages 6 to 7.

Basis of preparation

These 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 1985. Therefore these financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements are prepared using the historical cost basis of accounting except for:

- Properties held at the date of transition to IFRS which are stated at deemed cost.
- 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.

First time adoption of International Financial Reporting Standards

These are the group's first consolidated financial statements that have been prepared in accordance with IFRS. The group's transition date for adoption of IFRS is 1st April 2006. An explanation of how the transition to IFRS has affected the group's financial position at both the date of transition and 31st March 2007 (the last reporting date under UK GAAP) together with a reconciliation of the results for the year ended 31 March 2007 under UK GAAP to IFRS are given in note 35. The group has revised its accounting policies where applicable to conform to IFRS and these are set out below. These policies have been applied consistently to all the years presented across all group companies and in preparing the opening balance sheet at 1st April 2006 for the purpose of transition to IFRS.

The group has taken advantage of the following exemptions on transition to IFRS as permitted by paragraph 13 of IFRS 1:

- The requirements of IFRS 3 – Business Combinations – have not applied to business combinations that occurred before the date of transition to IFRS.
- The carrying value of freehold and leasehold properties are based on previously adopted UK GAAP valuations and these are now taken as deemed cost on transition to IFRS.

Future adoption of International Financial Reporting Standards

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 2 (Amendment) Share-based Payment Vesting Conditions and Cancellations. Effective for periods commencing on or after 1 January 2009.
- IFRS 3 (Revised) Business Combinations. Effective for periods commencing on or after 1 July 2009.
- IFRS 8 Operating Segments. Effective for periods commencing on or after 1 January 2009.

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

- IAS 1 (Revised) Presentation of Financial Statements. Effective for periods commencing on or after 1 January 2009.
- IAS 23 (Revised) Borrowing Costs. Effective for periods commencing on or after 1 January 2009.
- IAS 27 (Amendment) Consolidated and Separate Financial Statements. Effective for periods commencing on or after 1 July 2009.
- IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 (Amendment) Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation. Effective for periods commencing on or after 1 January 2009.
- IFRIC 12 Service Concession Arrangements. Effective for periods commencing on or after 1 January 2008.
- IFRIC 13 Customer Loyalty Programmes. Effective for periods commencing on or after 1 July 2008.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Effective for periods commencing on or after 1 January 2008.

Whilst work has not yet been completed on the above standards, the directors do not foresee any material impact on the financial statements of the group as a result of adopting these standards.

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 31st March 2008.

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

The acquisition of subsidiaries is accounted for using the acquisition method. The assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at their acquisition date except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 which are recognised and measured at fair value less costs to sell. Any excess of the cost over the asset valuation as calculated above is recognised as 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.

In accordance with the options that are available under IFRS 1, the group has elected not to apply IFRS 3 retrospectively to past business combinations that occurred before the date of transition to IFRS. Accordingly goodwill that had previously been offset against reserves under UK GAAP has not been recognised in the opening IFRS balance sheet. The interest of any minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

Investments in associates and 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. Plant and equipment held at the date of transition and subsequent additions to 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	1%
Leasehold buildings	Period of the lease
Plant and equipment	Between 5% and 50%

Annual reviews are made of estimated useful lives and material residual values.

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 next rent review. Finance leases are capitalised and depreciated in accordance with the accounting policy for property, plant and equipment. As permitted by IFRS 1 at the date of transition to IFRS, the carrying value of long leasehold properties are based on the previous UK GAAP valuations and this has been taken as deemed cost. 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.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

Deferred and current taxation

The charge for taxation is based on the taxable profit or loss for the year 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 year 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 assets are recognised and derecognised on a trade date where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Financial assets are classified as "loans and receivables", "held to maturity" investments, "available for sale" investments or "assets at fair value through the profit and loss" depending upon the nature and purpose of the financial asset. The classification is determined at the time of the initial recognition.

Financial assets are normally classified as "loans and receivables" and are initially measured at fair value including transaction costs incurred. The only financial assets currently held at "fair value through profit or loss" are the current asset investments.

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. Financial liabilities are normally classified as "other financial liabilities" and are initially measured at fair value, normally cost, net of transaction costs.

Loans and receivables

Trade receivables, loans and other receivables are measured on initial recognition at fair value and, except for short term receivables where the recognition of interest would be immaterial, are subsequently re-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 asset's carrying amount and the present value of

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

estimated future cash flows, calculated based on past default experience, discounted at the effective interest rate computed at initial recognition where material.

Derivative financial instruments and hedge accounting

The group's borrowing is subject to floating interest rates based on LIBOR plus the most competitive margin available. The group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, nor against foreign currency transactions. The group generally does not enter into any forward exchange contracts and it does not use financial instruments for speculative purposes. Derivative financial instruments are initially measured at cost and are remeasured at fair value at the balance sheet date. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

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.

Impairment of financial assets

Financial assets, other than those designated as "assets at fair value through the profit and loss" are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

Other financial liabilities

Other financial liabilities, including trade payables, are measured on initial recognition at fair value and, except for short term payables where the recognition of interest would be immaterial, are subsequently re-measured at amortised cost using the effective interest 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 profit and loss account 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. Provisions are measured at the director's best estimate of the expenditure required to settle the 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.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

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 year end rates. Non monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. The results of overseas subsidiary undertakings, associates and trade investments are translated into pounds sterling at average rates for the year unless exchange rates fluctuate significantly during that year in which case exchange rates at the date of transactions are used. The closing balance sheets are translated at the year 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 year. In accordance with IFRS 1, the translation reserve has been set to zero at the date of transition to IFRS.

Operating profit

Operating profit is defined as the profit for the year from continuing operations after all operating costs and income but before finance income, finance costs, 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 year in which they are incurred.

3. Use of critical accounting assumptions and estimates

Estimates and judgements are continually evaluated and assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable given the circumstances prevailing when the accounts are approved.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The directors are not aware of any estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

4. Segmental information

Classes of business		Revenue continuing operations £	Operating (loss) continuing operations £	(Loss) from discontinued operations £	Net assets £
Industrial:					
	2008	8,371,601	(760,572)	-	76,701
	2007	8,614,953	295,661	(472,253)	1,027,424
Leisure:					
	2008	3,068,659	(161,224)	-	6,051,359
	2007	2,387,627	(76,549)	-	5,418,104
Management and investment:					
	2008	18,500	(874,074)	-	(218,998)
	2007	18,502	(370,578)	-	932,673
Total:					
	2008	11,458,760	(1,795,870)	-	5,909,062
	2007	11,021,082	(151,466)	(472,253)	7,378,201
Geographical segments					
United Kingdom:					
	2008	7,645,587	(1,685,617)	-	(125,684)
	2007	7,929,503	(302,307)	(472,253)	1,161,759
Malta, Tanzania and Rest of the World:					
	2008	3,813,173	(110,253)	-	6,034,746
	2007	3,091,579	150,841	-	6,216,442
Total:					
	2008	11,458,760	(1,795,870)	-	5,909,062
	2007	11,021,082	(151,466)	(472,253)	7,378,201

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

	2008 £	2007 £
5. Investment activities and other income		
Income from current asset investments	119,507	151,427
Profit on sale of current asset investments	37,034	754,232
(Increase) in provision on current asset investments	(16,920)	(16,920)
Net foreign exchange gain (loss)	168,550	(429,976)
Fair value movement on investments	(343,203)	(71,502)
	(35,032)	387,261
 6. Finance income		
Bank deposits	5,500	15,767
 7. Finance costs		
Bank loans	166,478	75,957
Directors' loans	14,496	-
Other loans	30,703	33,894
Finance leases	9,160	10,544
	220,837	120,395
 8. (Loss) before taxation		
The following have been charged in arriving at the loss before taxation:		
Depreciation continuing operations - owned assets	278,170	197,462
Depreciation continuing operations - finance leased assets	16,096	25,389
Goodwill impairment	565,097	88,538
Loss on the sale of property, plant and equipment	154	3,920
Operating lease rental payments	195,280	200,375

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

	2008	2007
	£	£
9. Auditors' remuneration		
A detailed analysis of auditors' remuneration on a worldwide basis is as follows:		
Auditor's fees		
- statutory audit	26,520	30,280
- audit related services	10,000	13,520
- tax compliance services	7,500	7,500
- interim review	9,000	9,000
Overseas auditors' fees		
- statutory audit	15,612	18,359
- audit related services	3,370	12,402

10. Employee information

The average number of employees employed during the year was:

Management	19	19
Administration	42	39
Production	167	186
	228	244

Staff costs, including directors' remuneration amounted to:

Wages and salaries	4,037,135	4,470,614
Social security costs	396,240	439,937
Pensions (defined contribution schemes)	23,957	26,462
	4,457,332	4,937,013

Total directors' emoluments were as follows:

	Fees	Salary	Benefits	Pension contributions	Total emoluments	
					2008	2007
	£	£	£	£	£	£
Charles H. Bailey	10,000	69,640	367	-	80,007	80,000
Mrs S. A. Bailey	200	4,816	1,172	-	6,188	10,285
Sir William McAlpine Bt.	4,000	-	-	-	4,000	5,190
T.C. Bishop	-	-	488	-	488	4,000
D.C. Orchard	4,000	41,067	486	802	46,355	-
	18,200	115,523	2,513	802	137,038	99,475

The number of directors accruing retirement benefits under defined contribution schemes

	2	1
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The group does not operate a profit share or bonus scheme for directors.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

	2008 £	2007 £
11. Taxation		
Current tax - overseas tax based on taxable profit for the year	-	5,542
Deferred tax charge (credit) on the origination and reversal of temporary differences	24,886	(60,998)
	24,886	(55,456)
Total tax charge for the financial year attributable to continuing operations	24,886	(55,456)

The tax charge for the financial year can be reconciled to the profit before tax per the income statement multiplied by the standard applicable corporation tax rate in the UK of 30% as follows:

Loss before taxation:		
Continuing operations	(2,011,207)	(256,094)
Discontinuing operations	-	(472,253)
	(2,011,207)	(728,347)
	(2,011,207)	(728,347)
Tax at the UK effective corporation tax rate of 30% (2007: 30%)	(603,362)	(218,504)
Effects of:		
Non-deductable expenses	166,223	34,470
Differences arising on overseas earnings	296,279	128,199
Differences arising on capital sales and investment income	108,687	(73,042)
Deferred tax on losses not recoverable	14,049	73,421
Effect of change in tax rate to 28%	43,010	-
Total tax charge for the financial year	24,886	(55,456)
	24,886	(55,456)

Factors that may affect the future tax charge

The UK corporation tax rate applicable to the group will change from 30% to 28% from 1 April 2008. The deferred tax asset has been calculated at the tax rates expected to apply when timing differences reverse in accordance with IAS 12.

12. Discontinued operations

Profit on disposal of subsidiary undertaking	-	10,032
Loss for the year of subsidiary undertaking	-	(482,285)
Loss for the year before and after taxation from discontinued operations	-	(472,253)
	-	(472,253)

In 2007, the group disposed of the subsidiary undertaking P&D Electrical Services Limited realising a profit on disposal of £10,032.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

13. 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 8,192,980 (2007: 8,192,980) which excludes own shares held. There are no share options, convertible equity or debt instruments in issue.

	Continuing earnings	Discontinued earnings	Total earnings	Number of shares
2008				
Basic (loss)/weighted average number shares	(2,162,787)	-	(2,162,787)	8,192,980
Basic (loss) per share (pence)	(26.40p)	-	(26.40p)	
2007				
Basic (loss)/weighted average number shares	(219,183)	(472,253)	(691,436)	8,192,980
Basic (loss) per share (pence)	(2.68p)	(5.76p)	(8.44p)	

14. Goodwill

	£
Cost	
At 1st April 2007	672,781
Impairment	(565,087)
At 31st March 2008	107,694

Included within the impairment charge of £565,087 is an exceptional charge of £535,337 relating to Modular Automation International Limited.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

15. Property, plant and equipment

	Freehold land and buildings £	Leasehold land and buildings under 50 years £	Plant and equipment £	Total £
Group				
At directors' valuation 1972	-	157,500	-	157,500
At independent valuation 1974	-	491,037	-	491,037
At independent valuation 1978	3,346,167	-	-	3,346,167
At cost	2,434,448	1,541,742	2,621,450	6,597,640
Cost or valuation 1st April 2007	5,780,615	2,190,279	2,621,450	10,592,344
Exchange differences	984,405	39,567	229,245	1,253,217
Additions	339,643	1,056,807	524,564	1,921,014
Disposals	-	-	(28,002)	(28,002)
At 31st March 2008	7,104,663	3,286,653	3,347,257	13,738,573
Depreciation 1st April 2007	203,979	797,520	1,852,728	2,854,227
Exchange differences	34,737	(177)	221,708	256,268
Charge for year	38,421	61,457	194,388	294,266
Disposals	-	-	(19,703)	(19,703)
At 31st March 2008	277,137	858,800	2,249,121	3,385,058
Carrying value				
2008	6,827,526	2,427,853	1,098,136	10,353,515
2007	5,576,636	1,392,759	768,722	7,738,117
Company				
Cost or valuation 1st April 2007	-	-	7,700	7,700
Transfers	-	-	(7,700)	(7,700)
At 31st March 2008	-	-	-	-
Depreciation 1st April 2007	-	-	2,387	2,387
Charge for year	-	-	385	385
Transfers	-	-	(2,772)	(2,772)
At 31st March 2008	-	-	-	-
Carrying value				
2008	-	-	-	-
2007	-	-	5,313	5,313

The historic cost of freehold property valued in 1978 amounts to £1,173,780.

At 31st March 2008 the group's carrying value of plant and equipment held under finance leases and similar agreements was £215,819 (31st March 2007: £253,129).

At 31st March 2008 the group had entered into contractual commitments for the acquisition of property, plant and equipment of £Nil (31st March 2007: £Nil).

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

	2008	2007
	£	£
16. Lease prepayments		
Long leasehold land prepayments		
Non-current assets	38,474	44,822
Current assets	6,348	6,348
	44,822	51,170

The current element is included within trade and other receivables (note 20).

17. Investment in subsidiary undertakings

Company

At 1st April 2007	7,702,342	8,201,632
Disposal and impairment provisions	(868,979)	(499,290)
At 31st March 2008	6,833,363	7,702,342

A list of the significant investments in subsidiaries, including the country of incorporation, is given on page 38.

18. Deferred tax asset

	Depreciation in excess of capital allowances	Tax losses recognised	Unremitted overseas earnings	Total
Group	£	£	£	£
At 1st April 2007 at 30%	-	708,444	(159,122)	549,322
Credited/ (charged) to income statement	4,017	142,161	(171,064)	(24,886)
At 31st March 2008 at 28%	4,017	850,605	(330,186)	524,436
Company				
At 1st April 2007 at 30%	-	484,551	(159,122)	325,429
Credited/ (charged) to income statement	-	106,054	(171,064)	(65,010)
At 31st March 2008 at 28%	-	590,605	(330,186)	260,419

Deferred tax at 31st March 2008 has been calculated using the rate of tax that is expected to apply when timing differences reverse. At 31st March 2008 the group had unused capital losses of £372,830 (31st March 2007: £361,279) available for offset against future capital gains. The utilisation of capital losses is only recognised following the actual crystallisation of a taxable gain. The deferred tax asset is expected to be recovered after more than 12 months.

	2008	2007
	£	£
19. Stocks		
Raw materials and consumables	156,834	180,584

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
20. Trade and other receivables				
Trade debtors	1,449,327	2,023,950	-	-
Amounts recoverable on long term contracts	1,276,671	1,383,304	-	-
Loans to group undertakings	-	-	1,846,059	2,284,776
Lease prepayments	6,348	6,348	-	-
Other debtors	65,565	782,879	25,436	49,055
Prepayments and accrued income	178,878	216,771	8,465	51,675
	2,976,789	4,413,252	1,879,960	2,385,506

21. Current asset investments

Listed investments	1,240,384	1,767,318	564,350	898,250
Unlisted investments	80,369	98,297	65,760	82,680
	1,320,753	1,865,615	630,110	980,930

Investments are carried at fair value at the balance sheet date.

22. Cash and cash equivalents

Cash at bank and in hand	413,458	241,090	-	49,785
Deposit accounts	2,722	2,957	2,722	2,957
	416,180	244,047	2,722	52,742

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

23. Trade and other payables

Trade creditors	1,695,945	1,443,971	95,235	126,387
Payments on account	760,475	1,747,033	-	-
Loans from group undertakings	-	-	3,484,022	3,917,315
Social security and other taxes	218,882	294,703	10,030	48,205
Directors' loans	1,016,451	380,159	384,683	380,159
Accruals and deferred income	322,746	439,786	46,187	83,551
Other creditors	36,333	568,388	8,828	541,744
	4,050,832	4,874,040	4,028,985	5,097,361

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
24. Borrowings				
Current liabilities				
Bank loans and overdrafts	1,517,909	576,186	421,379	-
Other loans	652,754	647,335	-	-
	2,170,663	1,223,521	421,379	-
	2,170,663	1,223,521	421,379	-
Non- current liabilities				
Bank loans	2,007,148	724,691	-	-
Cumulative preference shares	530,180	530,180	-	-
	2,537,328	1,254,871	-	-
	2,537,328	1,254,871	-	-
Bank loans				
Over one year and under two years	407,617	151,340	-	-
Over two years and under five years	1,384,429	398,360	-	-
Over five years	215,102	174,991	-	-
	2,007,148	724,691	-	-
	2,007,148	724,691	-	-

There are no fixed rate liabilities. Bank borrowings are at a floating interest rates based on the relevant LIBOR equivalent. At the 31st March 2008 the group had £4,651,980 (2007: £3,472,828) of committed facilities of which £3,522,335 (2007: £1,197,121) was utilised.

The group's U.K. bank loans are secured by a charge over certain assets of the group and by cross guarantees between certain U.K. undertakings. These borrowings at 31st March 2008 were £980,246 (2007: £128,051).

St Georges Bay Hotel Limited (Malta) has borrowings at 31st March 2008 of £710,393 (2007: £479,619) secured by a fixed and floating charge over its assets. Cordura Limited (Tanzania) has borrowings at 31st March 2008 of £1,605,791 (2007: £389,451) secured by a fixed and floating charge over its assets.

25. Obligations under finance leases

Amounts payable under finance leases:

Within one year	78,514	75,348	-	-
Over one year and under five years	94,957	91,129	-	-
	173,471	166,477	-	-
Less future finance charges	(25,164)	(24,157)	-	-
Present value of lease obligations	148,307	142,320	-	-
Current liabilities	69,274	59,599	-	-
Non-current liabilities	79,033	82,721	-	-
	79,033	82,721	-	-

The carrying value of obligations under finance leases approximates to the present value of minimum lease payments.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

26. Provisions

	Legal £	Warranty £	Total £
Group			
At 1st April 2007	119,500	16,005	135,505
Charged to income statement	80,500	43,175	123,675
At 31st March 2008	200,000	59,180	259,180
Company			
At 1st April 2007	119,500	-	119,500
Charged to income statement	80,500	-	80,500
At 31st March 2008	200,000	-	200,000

The directors anticipate that the provisions will be utilised in full within 12 months and therefore the provisions have been included in current liabilities payable within one year.

27. Deferred tax liabilities

	Revaluation surplus £
Group	
At 1st April 2007	700,082
Exchange differences	119,221
At 31st March 2008	819,303

Deferred tax has been calculated using the rate of tax that is expected to apply when timing differences reverse. The deferred tax liability is expected to be recovered after more than 12 months.

	2008 £	2007 £
28. Called-up share capital		
Authorised:		
60,000,000 ordinary shares of 10p each	6,000,000	6,000,000
Issued and fully paid:		
8,335,414 ordinary shares of 10p each	833,541	833,541

The company retains as treasury shares 142,434 ordinary shares. The company did not buy back any shares for cancellation during the year. The company has one class of ordinary shares, which carry no right to fixed income.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

29. Share capital and reserves

	Called-up share capital £	Share premium account £	Capital redemption reserve £	Investment in own shares £	Translation reserve £	Retained earnings £	Minority interest £	Total £
Group								
As previously reported	833,541	609,690	5,163,332	(187,528)	716,663	1,192,828	(91,121)	8,237,405
Adoption of IFRS	-	-	-	-	(888,523)	29,319	-	(859,204)
At 1st April 2007 restated	833,541	609,690	5,163,332	(187,528)	(171,860)	1,222,147	(91,121)	7,378,201
Transfer	-	-	-	-	18,114	(18,114)	-	-
Loss for the financial year	-	-	-	-	-	(2,162,787)	126,694	(2,036,093)
Exchange differences	-	-	-	-	349,441	219,706	(2,193)	566,954
At 31st March 2008	833,541	609,690	5,163,332	(187,528)	195,695	(739,048)	33,380	5,909,062
Company								
As previously reported	833,541	609,690	5,163,332	(187,528)	-	(24,512)	-	6,394,523
Adoption of IFRS	-	-	-	-	-	(159,122)	-	(159,122)
At 1st April 2007 restated	833,541	609,690	5,163,332	(187,528)	-	(183,634)	-	6,235,401
Loss for the financial year	-	-	-	-	-	(1,279,191)	-	(1,279,191)
At 31st March 2008	833,541	609,690	5,163,332	(187,528)	-	(1,462,825)	-	4,956,210

The translation reserve represents the cumulative translation differences on the foreign currency net investments since the date of transition to IFRS.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

	2008	2007
	£	£
30. Cash generated from operations		
Operating (loss)	(1,795,870)	(151,466)
Loss from discontinued operations	-	(472,253)
Goodwill impairment	565,087	88,538
Depreciation	294,266	222,851
Loss on the sale of property, plant and equipment	154	3,920
(Profit) on sale of current asset investments	(37,034)	(754,232)
Fair value movement of investments	343,203	71,502
(Profit) on disposal of subsidiary undertaking	-	(10,032)
Provision on current asset investments	16,920	16,920
Exchange differences	(232,359)	479,466
Cashflow from operations before movements in working capital	<u>(845,633)</u>	<u>(504,786)</u>
Decrease in stocks	23,750	221,570
Lease prepayment released	6,348	6,348
Decrease (increase) in trade and other receivables	1,436,463	(502,138)
(Decrease) in trade and other payables	(1,335,825)	(59,902)
Working capital transferred on sale of subsidiary undertaking	-	110,032
Cashflow generated from operations	<u>(714,897)</u>	<u>(728,876)</u>
31. Analysis of net debt		
Cash and cash equivalents	416,180	244,047
Bank loans and overdrafts	(1,517,909)	(576,186)
	<u>(1,101,729)</u>	<u>(332,139)</u>
Bank loans - non-current	(2,007,148)	(724,691)
Obligations under finance leases	(148,307)	(142,320)
Other loans	(652,754)	(647,335)
	<u>(3,909,938)</u>	<u>(1,846,485)</u>
32. Financial instruments		
Capital risk management		

The group manages capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The capital structure of the group consist of debt, which is analysed in note 31, and equity comprising issued share capital, reserves and retained earnings as disclosed in note 29. The gearing ratio is:

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

Net debt	3,909,938	1,846,485
Equity	5,909,062	7,378,201
Net debt to equity percentage	66.2%	25.0%

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and liability are disclosed in note 2 to the financial statements.

	2008	2007
	£	£
Cash and cash equivalents	416,180	244,047
Bank loans and overdrafts - current	(1,517,909)	(576,186)
Bank loans - non-current	(2,007,148)	(724,691)
Other loans	(652,754)	(647,335)
Obligations under finance leases	(148,307)	(142,320)
Financial liabilities	<u>(3,909,938)</u>	<u>(1,846,485)</u>
Current assets investments	1,320,753	1,865,615
Other net operating assets	8,498,247	7,359,071
Total net assets	<u><u>5,909,062</u></u>	<u><u>7,378,201</u></u>

Financial liabilities	Dollar	(1,488,409)	(313,395)
	Sterling	(2,012,065)	(1,134,826)
	Other	(409,464)	(398,264)
		<u>(3,909,938)</u>	<u>(1,846,485)</u>
Current asset investments	Dollar	636,560	752,346
	Sterling	630,110	980,930
	Other	54,083	132,339
		<u>1,320,753</u>	<u>1,865,615</u>

The directors consider that the fair value of all assets and liabilities is not materially different from the book value.

Financial risk management

The key risks that potentially impact on the group's results are credit risk, liquidity risk, interest rate risk and currency risk. The group's exposure to each of these risks and the management of that exposure is discussed below. There has been no change during the year, or since the year end to the type of financial risks faced by the group or to the management of those risks.

Credit risk management

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy customers as a means of mitigating the risk of financial loss from defaults. Creditworthiness is verified by independent rating agencies when available. Credit exposure is controlled by credit limits that are reviewed and approved by senior management on a regular basis. Trade receivables consist of a large number of customers spread across

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

diverse industries and geographical locations. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The group does not have any significant credit risk exposure to any single counterparty or connected counterparties at the reporting date. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

Liquidity risk management

The group manages liquidity risk by maintaining adequate cash reserves, by operating within its agreed banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of monetary assets and liabilities.

Interest risk management

The group's activities expose it to the financial risks of changes in interest rates. Interest charged on bank loans is at floating rates based on the relevant LIBOR equivalent and the group endeavours to obtain the most competitive rates available.

Currency risk management

The group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, nor against foreign currency transactions. The group generally does not enter into forward exchange contracts and it does not use financial instruments for speculative purposes.

33. Operating lease arrangements

At the balance sheet date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases that fall due as follows:

	2008	2007
	£	£
Within one year	3,577	2,178
Between one and five years	40,000	40,000
After five years	152,185	152,227
	<u>195,762</u>	<u>194,405</u>

Property lease payments represent rentals payable by the group for certain of its operating locations and offices. Leases are negotiated over various terms to suit the particular requirements at that time. Break clauses are included wherever appropriate and the above liability has been calculated from the balance sheet date to either the end of the lease or the first break clause, whichever is the earlier.

34. Related party transactions

At 31st March 2008, the group owed Charles H.Bailey £980,230 (2007: £298,047) on which there was interest charged to the income statement of £14,496 (2007: Nil). At 31st March 2008, the group owed Mrs S.A.Bailey £36,221 (2007: £82,112) on which no interest was charged. Transactions between the company and its subsidiary undertakings, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

35. Explanation of transition to IFRS

This is the first year that the group has prepared its consolidated financial statements under IFRS. The following disclosures are required in the year of transition to explain the financial impact of adopting IFRS on the group. The last financial statements under UK GAAP were for the year ending 31st March 2007 and the date of transition to IFRS was 1st April 2006.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

Reconciliation of equity as at 1st April 2006 (date of transition to IFRS)

	UK GAAP	Reclassifications	IFRS 1 First time adoption	IAS 17 Leases	IFRS
	£	£	£	£	£
Non-current assets					
Goodwill	761,319	-	-	-	761,319
Property, plant and equipment	7,512,405	-	-	(57,518)	7,454,887
Lease prepayments	-	-	-	51,170	51,170
Deferred tax asset	-	647,446	(159,122)	-	488,324
	<u>8,273,724</u>	<u>647,446</u>	<u>(159,122)</u>	<u>(6,348)</u>	<u>8,755,700</u>
Current assets					
Stocks	402,154	-	-	-	402,154
Trade and other receivables	4,552,212	(647,446)	-	6,348	3,911,114
Current asset investments	2,402,750	-	-	-	2,402,750
Cash and cash equivalents	279,552	-	-	-	279,552
	<u>7,636,668</u>	<u>(647,446)</u>	<u>-</u>	<u>6,348</u>	<u>6,995,570</u>
Current liabilities					
Trade and other payables	(6,064,838)	1,039,428	-	-	(5,025,410)
Bank loans and overdrafts	-	(268,326)	-	-	(268,326)
Other loans	-	(729,654)	-	-	(729,654)
Obligations under finance leases	-	(41,448)	-	-	(41,448)
Provisions	-	(245,608)	-	-	(245,608)
	<u>(6,064,838)</u>	<u>(245,608)</u>	<u>-</u>	<u>-</u>	<u>(6,310,446)</u>
Net current assets	<u>1,571,830</u>	<u>(893,054)</u>	<u>-</u>	<u>6,348</u>	<u>685,124</u>
Total assets less current liabilities	<u>9,845,554</u>	<u>(245,608)</u>	<u>(159,122)</u>	<u>-</u>	<u>9,440,824</u>
Non-current liabilities					
Bank loans	(893,444)	583,632	-	-	(309,812)
Obligations under finance leases	-	(53,452)	-	-	(53,452)
Cumulative preference shares	-	(530,180)	-	-	(530,180)
Deferred tax liabilities	-	-	(700,082)	-	(700,082)
Provisions	(245,608)	245,608	-	-	-
	<u>(1,139,052)</u>	<u>245,608</u>	<u>(700,082)</u>	<u>-</u>	<u>(1,593,526)</u>
Net assets	<u>8,706,502</u>	<u>-</u>	<u>(859,204)</u>	<u>-</u>	<u>7,847,298</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	-	-	(145,380)	-	(145,380)
Retained earnings	(771,780)	-	2,454,208	-	1,682,428
Revaluation reserve	1,717,035	-	(1,717,035)	-	-
Other reserves	743,143	-	(743,143)	-	-
Investment revaluation reserve	707,854	-	(707,854)	-	-
Surplus attributable to parent's shareholders	<u>8,815,287</u>	<u>-</u>	<u>(859,204)</u>	<u>-</u>	<u>7,956,083</u>
Minority interest	(108,785)	-	-	-	(108,785)
Total equity	<u>8,706,502</u>	<u>-</u>	<u>(859,204)</u>	<u>-</u>	<u>7,847,298</u>

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

Reconciliation of equity as at 31st March 2007 (date of last UK GAAP Financial Statements)

	UK GAAP	Reclassifications	IFRS 1 First time adoption	IAS 17 Leases	IFRS
	£	£	£	£	£
Non-current assets					
Goodwill	672,781	-	-	-	672,781
Property, plant and equipment	7,789,287	-	-	(51,170)	7,738,117
Lease prepayments	-	-	-	44,822	44,822
Deferred tax asset	-	708,444	(159,122)	-	549,322
	<u>8,462,068</u>	<u>708,444</u>	<u>(159,122)</u>	<u>(6,348)</u>	<u>9,005,042</u>
Current assets					
Stocks	180,584	-	-	-	180,584
Trade and other receivables	5,115,348	(708,444)	-	6,348	4,413,252
Current asset investments	1,865,615	-	-	-	1,865,615
Cash and cash equivalents	244,047	-	-	-	244,047
	<u>7,405,594</u>	<u>(708,444)</u>	<u>-</u>	<u>6,348</u>	<u>6,703,498</u>
Current liabilities					
Trade and other payables	(6,157,160)	1,283,120	-	-	(4,874,040)
Bank loans and overdrafts	-	(576,186)	-	-	(576,186)
Other loans	-	(647,335)	-	-	(647,335)
Obligations under finance leases	-	(59,599)	-	-	(59,599)
Provisions	-	(135,505)	-	-	(135,505)
	<u>(6,157,160)</u>	<u>(135,505)</u>	<u>-</u>	<u>-</u>	<u>(6,292,665)</u>
Net current assets	<u>1,248,434</u>	<u>(843,949)</u>	<u>-</u>	<u>6,348</u>	<u>410,833</u>
Total assets less current liabilities	<u>9,710,502</u>	<u>(135,505)</u>	<u>(159,122)</u>	<u>-</u>	<u>9,415,875</u>
Non-current liabilities					
Bank loans	(1,337,592)	612,901	-	-	(724,691)
Obligations under finance leases	-	(82,721)	-	-	(82,721)
Cumulative preference shares	-	(530,180)	-	-	(530,180)
Deferred tax liabilities	-	-	(700,082)	-	(700,082)
Provisions	(135,505)	135,505	-	-	-
	<u>(1,473,097)</u>	<u>135,505</u>	<u>(700,082)</u>	<u>-</u>	<u>(2,037,674)</u>
Net assets	<u>8,237,405</u>	<u>-</u>	<u>(859,204)</u>	<u>-</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	-	-	(171,860)	-	(171,860)
Retained earnings	(1,112,051)	-	2,334,198	-	1,222,147
Revaluation reserve	1,668,527	-	(1,668,527)	-	-
Other reserves	716,663	-	(716,663)	-	-
Investment revaluation reserve	636,352	-	(636,352)	-	-
Surplus attributable to parent's shareholders	<u>8,328,526</u>	<u>-</u>	<u>(859,204)</u>	<u>-</u>	<u>7,469,322</u>
Minority interest	(91,121)	-	-	-	(91,121)
Total equity	<u>8,237,405</u>	<u>-</u>	<u>(859,204)</u>	<u>-</u>	<u>7,378,201</u>

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2008

Reconciliation of profit for the year ended 31st March 2007

	UK GAAP	Reclassifications	IAS 39 Fair value adjustments	IFRS
	£	£	£	£
Revenue	12,736,589	(1,715,507)	-	11,021,082
Cost of sales	(10,071,143)	1,889,176	-	(8,181,967)
Gross Profit	2,665,446	173,669	-	2,839,115
Administrative expenses	(3,686,458)	308,616	-	(3,377,842)
Investment activities and other income	468,795	(10,032)	(71,502)	387,261
Operating loss	(552,217)	472,253	(71,502)	(151,466)
Finance income	15,767	-	-	15,767
Finance costs	(120,395)	-	-	(120,395)
Loss before taxation	(656,845)	472,253	(71,502)	(256,094)
Taxation	55,456	-	-	55,456
Minority interest	(18,545)	-	-	(18,545)
Loss for the year from continuing operations	(619,934)	472,253	(71,502)	(219,183)
Loss for the year from discontinued operations	-	(472,253)	-	(472,253)
Loss for the financial year	(619,934)	-	(71,502)	(691,436)

Notes to the reconciliations of equity and profit

1. Reclassifications are required as certain items are shown differently under IFRS compared with UK GAAP. Reclassifications relate to (i) the disclosure of financial liabilities as separate items on the face of the balance sheet under IFRS, (ii) the split of provisions for liabilities between current and long term creditors under IFRS, and (iii) the disclosure of loss on disposal of business as a discontinued operation. In addition the foreign exchange translation adjustments are disclosed as a separate reserve under IFRS from the date of transition.
2. As permitted by IFRS 1 – First time adoption of IFRS, the group has elected to treat the revaluation reserve of the UK freehold and longstanding leasehold properties as deemed cost at that date. Although no adjustment is required to the carrying value of the property, plant and equipment, the revaluation reserve carried under UK GAAP has been transferred to retained earnings as a consequence of this election.
3. As required by IFRS 3 – Business Combinations, purchased goodwill is not amortised and is stated at the carrying value at the date of transition to IFRS.
4. IFRS requires property leases to be split into two elements, land and buildings. Each element is then considered independently and treated as a finance or operating lease as appropriate. This treatment differs to UK GAAP, which requires the whole property lease to be considered in its entirety. Consequently certain leasehold land, that was previously treated as a finance lease under UK GAAP, has been reclassified as an off balance sheet operating lease. Lease premiums relating to land have been reclassified as prepayments.

Other than presentation differences, there are no material adjustments to the previous cash flow statements presented under UK GAAP.

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MAJOR SUBSIDIARY UNDERTAKINGS

	Percentage of ordinary share capital held	Principle activities
Industrial division:		
Bailey Industrial Engineering Limited	100%	Engineering
Modular Automation International Limited	79%	Design and manufacture of automation systems
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.

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FIVE YEAR HISTORY

	IFRS		UK GAAP		
	2008	2007	2006	2005	2004
	£	£	£	£	£
Continuing operations					
Revenue	11,458,760	11,021,082	9,821,783	6,614,785	4,633,070
Continuing operations					
Operating (loss) before exceptional items, investments activities and depreciation	(901,331)	(223,418)	(555,323)	(1,115,603)	(1,472,442)
Investment activities and other income	(35,032)	387,261	31,140	453,709	754,130
Depreciation and loss on sale	(294,420)	(226,771)	(264,228)	(243,247)	(259,613)
Goodwill impairment	(565,087)	(88,538)	(88,538)	(35,947)	-
Profit on disposal of property	-	-	-	594,719	-
Restructuring costs	-	-	(144,340)	(284,003)	-
	(1,795,870)	(151,466)	(1,021,289)	(630,372)	(977,925)
Net finance costs	(215,337)	(104,628)	(106,559)	(128,651)	(82,159)
(Loss) before taxation	(2,011,207)	(256,094)	(1,127,848)	(759,023)	(1,060,084)
Taxation	(24,886)	55,456	188,302	73,432	(384,866)
Minority interest	(126,694)	(18,545)	(50,327)	12,408	430
(Loss) for the year from continuing operations	(2,162,787)	(219,183)	(989,873)	(673,183)	(1,444,520)
(Loss) for the year from discontinued operations	-	(472,253)	(238,833)	(108,256)	(174,978)
(Loss) for the financial year	(2,162,787)	(691,436)	(1,228,706)	(781,439)	(1,619,498)
(Loss) per share	(26.40p)	(8.44p)	(15.24p)	(9.87p)	(19.44p)

Prior years are stated under UK GAAP as transition to IFRS did not have a material impact on the reported profit.

Reclassifications have been made where applicable.