

C. H. BAILEY PLC

Directors	CHARLES H. BAILEY chairman and managing director MRS S. A. BAILEY Sir WILLIAM McALPINE Bt. D.C. ORCHARD
Local Directors	Professor J. M. GANADO (Malta)
Secretary	B. J. WARREN
Auditors	Walter Hunter & Co Limited Chartered Accountants, 24 Bridge Street, Newport, South Wales NP20 4SF
Principal Bankers	Barclays Bank Plc 14 Commercial Street, Newport, South Wales NP20 1YG
Legal Advisors	Squire, Sanders & Dempsey (UK) LLP Rutland House, 148 Edmund Street, Birmingham B3 2JR
Financial Advisors and Brokers	Arden Partners Plc 125 Old Broad Street, London EC2N 1AR
Transfer Office	Computershare Investor Services Plc P.O. Box 82, The Pavilions, 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-eighth annual general meeting of C.H. Bailey Plc will be held at the Phyllis Court Club, Marlow Road, Henley-on-Thames, RG9 2HT on 16th September 2011 at 11.00am for the following purposes:

Ordinary Business

1. To receive and adopt the report of directors and the audited financial statements for the year ended 31st March 2011.
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 14th September 2011 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.
21st July 2011

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 2011

	2011	2010	2009	2008
		£	£	£
Revenue - continuing operations	4,298,596	3,897,260	5,369,623	5,526,195
Gross profit - continuing operations	1,063,406	781,182	681,644	912,691
Gross profit margin	24.74%	20.04%	12.69%	16.52%
Operating profit (loss) on continuing operations before exceptional items, investment activities and depreciation	39,830	(237,573)	(729,683)	(723,294)
(Loss) profit for the financial year	(593,320)	1,104,481	276,582	(2,162,787)
(Loss) earnings per share from continuing operation:	(7.12p)	13.25p	4.53p	(17.77p)
(Loss) earnings per share from total operations	(7.12p)	13.25p	3.38p	(26.40p)

Overview

The Group has made a loss of £593,320 (2010 Profit £1,104,481) for the period under review, due primarily to exchange losses and a write down in one of its investments. This was compensated by an asset sale in Malta and more importantly the fact that the current businesses are trading profitably. The gross profit margin has increased to 25%, which is due to an increase in activity in our UK engineering company as well as our overseas leisure operations increasing their revenues and maintaining and improving their margins respectively.

UK Operations

Bailey Industrial Engineering has increased its turnover by over 50% for the period and has traded profitably for the year under review. The management have explored new markets, retained existing market share and should be congratulated for their efforts, together with the workforce. The future is encouraging with a sales forecast increase of over 20% and current orders maintaining this forecast.

Malta

The hotel has increased its turnover and increased its profit for the year. The car park, which formed part of the hotel complex, that had not been included in the sale of the Main Site (as defined in the circular to shareholders dated 12th October 2009), was sold and reported earlier in the financial year. As regards to the sale for the Main Site, we understand from discussions with the buyer that matters are progressing well.

C. H. BAILEY PLC

CHAIRMAN'S STATEMENT AND FINANCIAL RESULTS YEAR ENDED 31ST MARCH 2011

Tanzania

The economic activity in Tanzania and in Dar es Salaam in particular is very encouraging. The latest development at the Oyster Bay Hotel should commence operations in October this year, which will enhance the strong cash flow streams going forward.

Beho Beho, has seen sales return to pre 2009 levels and the camp has again won the Good Safari Guide award as the best Safari camp in East Africa while retaining its position in the top three in Africa. The staff again must be thanked for their efforts.

Mikumi Wildlife Camp, which caters for the "Visiting Friends & Relative" market and expatriates in Dar es Salaam has seen reduced sales income but remains profitable. We are in the process of refurbishing the camp and have already seen signs of business increasing, which is encouraging.

Current Trading and Outlook

2011/12 will again be a challenging year, but we remain cautiously optimistic. We have already introduced measures to increase sales, reduce costs and overheads and the results of these measures appear to be materialising.

Our company relies on the support and effort of the management, employees, directors and shareholders and I would like to thank everyone for their continued support and effort.

Charles H. Bailey
21st July 2011

C. H. BAILEY PLC

DIRECTORS' REPORT YEAR ENDED 31ST MARCH 2011

The directors submit their report and accounts for the year ended 31st March 2011.

Principal activities

C.H. Bailey Plc has investments and is the holding company of subsidiary undertakings engaged in many different activities including engineering and the operation of hotels. The loss on these various activities which is attributable to the shareholders amounted to £593,320 (2010: profit £1,104,481)

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 2011 (2010: £Nil).

Change in fixed assets

A summary of the changes in property, plant and equipment is given in note 13 to the accounts.

A summary of the changes in investments in subsidiary undertakings is given in note 14 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 £8,000,000.

Directors

The board of directors on 31st March 2011 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 2011, a material interest in any contract to which the company or a subsidiary undertaking was a party.

Charles H. Bailey, Mrs S.A. Bailey are executive directors. The non-executive directors are Mr D.C. Orchard and Sir William McAlpine Bt. Sir William McAlpine Bt., has been a director of Sir Robert McAlpine Limited, building and civil engineering contractors since 1957 and is now a consultant to the company. He was for several years, until March 1991, a director of T&N Plc. He is the chairman of the Dartmouth Steam Railway and Riverboat Company and chairman of Romney Hythe & Dymchurch Railway Plc. He is also Chairman of The Railway Heritage Trust and is on the Council of the Zoological Society of London.

Local directors

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

Interests in the capital of the group

Directors

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

	18 th July 2011	31 st March 2011	31 st March 2010
Charles H. Bailey	5,393,494	5,393,494	4,393,494
Mrs S. A. Bailey	214,378	214,378	1,214,378
Sir William McAlpine Bt.	1,111	1,111	1,111
D.C. Orchard	12,200	12,200	12,000

C. H. BAILEY PLC

DIRECTORS' REPORT YEAR ENDED 31ST MARCH 2011

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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Charitable and political contributions

During the year the group made no contributions of a charitable or political nature (2010: £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.

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.

Risk management

The group's principle risks are as follows:

Going concern

The board remains satisfied with the group's funding and liquidity position. The group has operated both throughout the period under review and subsequently within its current bank facility.

The group's forecasts and projections indicate that the group should continue to operate within the current bank facility. The board considers that the group has considerable financial resources together with a diverse base of operations across different geographical areas and industries. As a consequence, the board believes that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the board has a reasonable expectation that the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this Annual Report and financial statements.

C. H. BAILEY PLC

DIRECTORS' REPORT YEAR ENDED 31ST MARCH 2011

Strategic risk

The group faces a number of strategic risks. Management have developed long term business plans to manage the impact of these risks to ensure that the group delivers a satisfactory performance in future years. The main strategic risks faced by the business are set out below.

- Competition: In order to remain competitive management recognises the need to invest in appropriate capital expenditure.
- Profit margin: In order to improve the margins management recognise the need to reduce costs where appropriate.

Financial risks

There has been no change during the year, or since the year end, to the type of financial risks faced by the group or the group's management of those risks. The key risks, which are discussed in more detail in note 31 to the consolidated financial statements are set out below.

- Credit risk
- Liquidity risk
- Interest rate risk
- Currency risk

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 s418 of the Companies Act 2006.

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
21st July 2011

By order of the board
B.J. Warren
Secretary

C. H. BAILEY PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENT YEAR ENDED 31ST MARCH 2011

The directors are responsible for preparing the annual report and the group and parent financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM rules of London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the European Union and applicable law and have elected to prepare the parent company financial statements in accordance with IFRS.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are 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 that are sufficient to show and explain the parent company's transactions and 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 2006. 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 2011

We have audited the group and individual company financial statements of C.H. Bailey Plc for the year ended 31st March 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated cashflow statement, the consolidated and parent company statements of changes in equity and the related notes 1 to 32. The financial reporting framework that has been applied in the preparation of the group and company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. 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 explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and or being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- The financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where Companies Act 2006 requires us to report to you if, in our opinion:

C. H. BAILEY PLC

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF C.H.BAILEY PLC
YEAR ENDED 31ST MARCH 2011**

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Walter Hunter & Co Limited
Newport, South Wales

Mr Jonathan Rhodes BSc (Hons) FCA
21st July 2011

C. H. BAILEY PLC

**CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31ST MARCH 2011**

	Notes	2011 £	2010 £
Continuing operations			
Revenue	4	4,298,596	3,897,260
Cost of sales		(3,235,190)	(3,116,078)
Gross profit		<u>1,063,406</u>	<u>781,182</u>
Profit on the sale of property	8	587,859	2,013,442
Administrative expenses		(1,386,761)	(1,432,691)
Trading profit		<u>264,504</u>	<u>1,361,933</u>
Investment activities and other income	5	(517,198)	196,138
Operating (loss) profit		<u>(252,694)</u>	<u>1,558,071</u>
<hr/>			
EBITDA*		(477,368)	(41,435)
Depreciation		(363,313)	(414,431)
Profit on sale of plant and equipment		128	495
Normalised operating (loss)		<u>(840,553)</u>	<u>(455,371)</u>
Profit on sale of property		587,859	2,013,442
Operating (loss) profit		<u>(252,694)</u>	<u>1,558,071</u>
<hr/>			
Finance income	6	44,799	10,409
Finance costs	7	(272,035)	(199,758)
(Loss) profit before taxation	8	(479,930)	1,368,722
Tax ation	11	(106,358)	(241,708)
Minority interest		(7,032)	(22,533)
(Loss) profit for the financial year		<u>(593,320)</u>	<u>1,104,481</u>
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(Loss) earnings per share from continuing and total operations	12	(7.12p)	13.25p

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

C. H. BAILEY PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE TOTAL INCOME AT 31ST MARCH 2011

	2011	2010
	£	£
(Loss) profit for the financial year	(593,320)	1,104,481
Exchange differences	(10,415)	119,050
Purchase of minority interest	(22,234)	-
Total comprehensive income for the year	(625,969)	1,223,531

C. H. BAILEY PLC

BALANCE SHEETS AT 31ST MARCH 2011

	Notes	Group		Company	
		2011 £	2010 £	2011 £	2010 £
Non-current assets					
Property, plant and equipment	13	10,727,180	10,431,270	1,985	1,946
Investments in subsidiary undertakings	14	-	-	3,147,216	3,272,063
Deferred tax asset	15	151,868	162,278	151,868	162,278
		<u>10,879,048</u>	<u>10,593,548</u>	<u>3,301,069</u>	<u>3,436,287</u>
Current assets					
Inventory	16	29,498	31,462	-	-
Trade and other receivables	17	1,351,953	919,346	1,339,451	1,562,779
Current asset investments	18	1,731,722	1,544,853	465,805	507,380
Cash and cash equivalents	19	1,364,541	1,886,316	-	24
		<u>4,477,714</u>	<u>4,381,977</u>	<u>1,805,256</u>	<u>2,070,183</u>
Current liabilities					
Trade and other payables	20	(1,755,831)	(1,967,095)	(1,434,999)	(3,102,792)
Bank loans and overdrafts	21	(1,241,666)	(974,888)	(257,869)	(333,835)
Other loans	21	(676,531)	(669,014)	-	-
Obligations under finance leases	23	(14,491)	(26,897)	-	-
Provisions	24	(225,000)	(225,000)	(225,000)	(225,000)
		<u>(3,913,519)</u>	<u>(3,862,894)</u>	<u>(1,917,868)</u>	<u>(3,661,627)</u>
Net current assets		<u>564,195</u>	<u>519,083</u>	<u>(112,612)</u>	<u>(1,591,444)</u>
Total assets less current liabilities		<u>11,443,243</u>	<u>11,112,631</u>	<u>3,188,457</u>	<u>1,844,843</u>
Non-current liabilities					
Trade and other payables	22	(720,431)	(734,178)	-	-
Bank loans	21	(2,893,409)	(1,909,535)	-	-
Obligations under finance leases	23	(2,859)	(10,971)	-	-
Deferred tax liabilities	25	(732,642)	(735,862)	-	-
Net assets		<u>7,093,902</u>	<u>7,722,085</u>	<u>3,188,457</u>	<u>1,844,843</u>
Equity					
Called-up share capital	26	833,541	833,541	833,541	833,541
Share premium account	27	609,690	609,690	609,690	609,690
Capital redemption reserve	27	5,163,332	5,163,332	5,163,332	5,163,332
Translation reserve	27	874,630	769,123	-	-
Retained earnings	27	(464,100)	267,376	(3,418,106)	(4,761,720)
Surplus attributable to the parent's shareholders		<u>7,017,093</u>	<u>7,643,062</u>	<u>3,188,457</u>	<u>1,844,843</u>
Minority interest	27	76,809	79,023	-	-
Total equity		<u>7,093,902</u>	<u>7,722,085</u>	<u>3,188,457</u>	<u>1,844,843</u>

These financial statements were approved by the board of directors on 21st July 2011 and were signed on its behalf by:
CHARLES H. BAILEY, Director

C. H. BAILEY PLC

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31ST MARCH 2011

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash generated from operations	28	(320,553)	135,895
Interest paid - continuing operations		(272,035)	(199,758)
Overseas tax paid		(85,390)	(251,712)
Net cash flow from operating activities		(677,978)	(315,575)
Investing activities			
Sale of property, plant and equipment		609,163	2,307,972
Deferred income on property sale	22	-	734,178
Purchase of property, plant and equipment		(1,327,713)	(338,207)
Sale of investments		97,109	233,089
Purchase of investments		(254,997)	(390,723)
Purchase of minority interest		(30,000)	-
Interest received		44,799	10,409
Net cash flow from investing activities		(861,639)	2,556,718
Financing activities			
Movement in bank loans		1,074,529	(336,418)
Movement in directors' loans		(286,039)	158,521
Movement in other loans		7,517	6,875
Movement in capital element of finance leases		(20,518)	(36,347)
Net cash flow from financing activities		775,489	(207,369)
Net (decrease) increase in cash and cash equivalents		(764,128)	2,033,774
Cash and cash equivalents at beginning of year	29	911,428	(1,136,969)
Exchange differences		(24,425)	14,623
Cash and cash equivalents at end of year	29	122,875	911,428
Reconciliation of net cash flow to movement in net debt in the year			
Net (decrease)increase in cash and cash equivalents		(764,128)	2,033,774
Cash outflow from the increase in debt		(1,061,528)	365,890
Movement in net debt during the year		(1,825,656)	2,399,664
Net debt at the beginning of the year		(1,704,989)	(4,252,950)
Exchange differences		(66,230)	148,297
Net debt at the end of the year	29	(3,464,415)	(1,704,989)

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STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31ST MARCH 2011

	Called-up share capital £	Share premium account £	Capital redemption reserve £	Translation reserve £	Retained earnings £	Minority interest £	Total £
Group							
At 31st March 2009	833,541	609,690	5,163,332	713,232	(900,264)	58,580	6,478,111
Profit for the financial year	-	-	-	-	1,104,481	22,533	1,127,014
Exchange differences	-	-	-	55,891	63,159	(2,090)	116,960
At 31st March 2010	833,541	609,690	5,163,332	769,123	267,376	79,023	7,722,085
Purchase of minority interest	-	-	-	-	(22,234)	(7,766)	(30,000)
(Loss) for the financial year	-	-	-	-	(593,320)	7,032	(586,288)
Exchange differences	-	-	-	105,507	(115,922)	(1,480)	(11,895)
At 31st March 2011	833,541	609,690	5,163,332	874,630	(464,100)	76,809	7,093,902
Company							
At 31st March 2009	833,541	609,690	5,163,332	-	(3,585,517)	-	3,021,046
Loss for the financial year	-	-	-	-	(1,176,203)	-	(1,176,203)
At 31st March 2010	833,541	609,690	5,163,332	-	(4,761,720)	-	1,844,843
Profit for the financial year	-	-	-	-	1,343,614	-	1,343,614
At 31st March 2011	833,541	609,690	5,163,332	-	(3,418,106)	-	3,188,457

There were no transactions with owners recorded directly in equity during the year ended 31st March 2011.

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

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 2006. The address of the registered office is given on page 1. The principle activities are set out in the Directors' Report on pages 5 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 2006. Therefore these financial statements comply with the AIM rules.

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.

Going concern

The directors have prepared these financial statements on the fundamental assumption that the group is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements.

Further information explaining why the directors believe the group is a going concern is given in the financial review section of the Directors' Report.

Accounting period

The current period is for 12 months ended 31st March 2011 and the comparative period is for the 12 months ended 31st March 2010.

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.

Initial Adoption of International Financial Reporting Standards

These are the group's fifth consolidated financial statements that have been prepared in accordance with IFRS. The group's transition date for adoption of IFRS is 1st April 2006. 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.

International Financial Reporting Standards adopted for the first time this accounting period

The group has adopted with effect from 1st April 2010 the following accounting policies;

- IFRS 3 (Amendment): Business Combinations and IAS 27: Consolidated and separate financial statements.

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

- IAS 17 (Amendment): Leases.
- IAS 39 (Amendment) and IFRIC 9 (Amendment): Embedded derivatives and eligible hedged items.
- Annual improvements to IFRSs (2009).

In adoption of the above standards and interpretations has had a minimal impact on the current year's financial statements. There have been no changes to the prior year comparative figures as a result of new standards and interpretations. The adoption of the amendment to IAS 17 had no impact on the classification of leases on the balance sheet.

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:

- IAS 1 (Annual Improvement): Presentation of Financial Statements. Effective for accounting periods beginning on or after 1 January 2011.
- IAS 24 (Amendment): Related party transaction. Effective for accounting periods beginning on or after 1 January 2011.
- IAS (Annual Improvement): Consolidated and separate financial statements. Effective for accounting periods on or after 1 January 2011.
- IAS 34 (Annual Improvement): Interim Financial Reporting. Effective for accounting periods on or after 1 January 2011
- IFRS 1 (Annual Improvement): First time adoption of IFRS. Effective for accounting periods beginning on or after 1 January 2011.
- IFRS 3 (Annual Improvement): Business combinations. Effective for accounting periods beginning on or after 1 January 2011.
- IFRS 7 (Annual Improvement): Financial instrument disclosure. Effective for accounting periods beginning on or after 1 January 2011.
- IFRIC 13 (Annual Improvement): Customer loyalty programmes. Effective for accounting periods beginning on or after 1 January 2011.
- IFRIC 14 (Amendment): Prepayments of minimum funding requirement. Effective for accounting periods beginning on or after 1 January 2011.
- IFRS 7 (Disclosure amendments): Financial Instruments disclosure. Effective for accounting periods beginning on or after 1 July 2011.
- IFRS 9 (New Standard): Financial Instruments. Effective for accounting periods beginning on or after 1 January 2013.

Whilst work has not yet been completed on the above standards, the directors do not currently 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 2011. Control is achieved where the company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

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

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

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 identified assets, liabilities and contingent liabilities recognised. Goodwill is recognised as an asset and is not amortised. It is reviewed for impairment annually as detailed in "impairment of non-financial assets" below.

In accordance with the options that are available under IFRS 1 on transition to IFRS, the group 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.

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.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

Lessee accounting

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 they are immediately available for sale in their current condition and their carrying value will be recovered through a sale transaction on which is highly probable to be completed within 12 months of the initial classification. Assets held for sale are valued at the lower of carrying amount at the date of initial classification and fair value less costs to sell.

Impairment of non-financial assets

Goodwill is tested annually for impairment, or more frequently if there are any changes in circumstances or events that indicate that a potential impairment may exist. Goodwill impairments cannot be reversed. Property, plant and equipment are reviewed for indications of impairment when events or changes in circumstances indicate that the carrying amount may not be recovered. If there are indications then a test is performed on the asset affected to assess its recoverable amount against carrying value. An asset impaired is written down to the higher of value in use or its fair value less cost to sell.

Deferred and current taxation

The 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.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

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 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.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

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.

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.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

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.

Normalised operating profit is the same as the above but excludes non-recurring items, for example profit on the sale of property. Normalised operating profit is reconciled to operating profit on the face of the income statement.

Other gains and losses

Other gains and losses are material items that arise from unusual non-recurring events. They are disclosed separately, in aggregate, on the face of the income statement after operating profit where in the opinion of the directors such disclosure is necessary in order to fairly present the results for the financial period.

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 2011

4. Segmental information

Classes of business		Revenue continuing operations £	Operating profit (loss) continuing operations £	Net assets £
Industrial:				
	2011	1,384,600	15,261	423,504
	2010	857,848	(131,904)	453,416
Leisure:				
	2011	2,895,498	705,833	6,495,933
	2010	3,020,912	2,043,054	7,451,388
Management:				
	2011	18,498	(973,788)	174,465
	2010	18,500	(353,079)	(182,719)
Total:				
	2011	4,298,596	(252,694)	7,093,902
	2010	3,897,260	1,558,071	7,722,085
Geographical segments				
United Kingdom:				
	2011	2,253,789	(443,720)	93,830
	2010	1,904,801	(335,720)	(371,873)
Malta, Tanzania and Rest of the World:				
	2011	2,044,807	191,026	7,000,072
	2010	1,992,459	1,893,791	8,093,958
Total:				
	2011	4,298,596	(252,694)	7,093,902
	2010	3,897,260	1,558,071	7,722,085

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

	2011 £	2010 £
5. Investment activities and other income		
Income from current asset investments	83,202	70,603
Profit on sale of current asset investments	26,333	5,703
(Increase) decrease in provision on current asset investments	(118,175)	244,665
Net foreign exchange (loss)	(629,381)	(209,376)
Fair value movement on investments	120,823	84,543
	(517,198)	196,138
6. Finance income		
Bank deposits	44,799	10,409
7. Finance costs		
Bank loans	188,201	113,512
Directors' loans	44,514	45,609
Other loans	31,599	31,330
Finance leases	7,721	9,307
	272,035	199,758
8. (Loss) profit before taxation		
The following have been charged (credited) in arriving at the (loss) profit before taxation:		
Depreciation - owned assets	349,723	375,200
Depreciation - finance leased assets	13,590	39,231
Profit on sale of property	(587,859)	(2,013,442)
Profit on sale of plant and equipment	(128)	(495)
Operating lease rental payments	13,997	22,601
The profit on the sale of property arises on the sale of part of the hotel complex in Malta.		
9. Auditors' remuneration		
A detailed analysis of auditors' remuneration on a worldwide basis is as follows:		
Auditor's fees	- statutory audit	22,375
	- audit related services	10,000
	- tax compliance services	8,300
	- interim review	9,700
Overseas auditors' fees	- statutory audit	19,237
		20,000
		10,000
		8,300
		9,700
		18,883

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

	2011	2010
	£	£
10. Employee information		
The average number of employees employed during the year was:		
Management	14	12
Administration	16	14
Production	86	82
	116	108

Staff costs, including directors' remuneration amounted to:		
Wages and salaries	1,312,209	1,101,716
Social security costs	99,168	78,567
Pensions (defined contribution schemes)	3,327	3,942
	1,414,704	1,184,225

Total directors' emoluments were as follows:

	Fees	Salary	Benefits	Pension contributions	Total emoluments	
					2011	2010
					£	£
Charles H. Bailey	5,200	45,867	1,891	-	52,958	45,413
Mrs S.A. Bailey	5,200	4,816	1,423	-	11,439	10,323
Sir William McAlpine Bt.	3,000	-	-	-	3,000	4,000
D.C. Orchard	4,000	-	-	-	4,000	4,000
	17,400	50,683	3,314	-	71,397	63,736

The number of directors accruing retirement benefits under defined contribution schemes

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

In addition to the above, £5,914 (2010: £7,500) was charged to group companies for services provided by QED Enterprise Limited, a company controlled by Mr D.C. Orchard.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

	2011 £	2010 £
11. Taxation		
Current tax - overseas tax based on taxable profit for the year	85,390	251,712
Deferred tax charge (credit) on the origination and reversal of temporary differences	20,968	(10,004)
	106,358	241,708
Total tax charge for the financial year attributable to total operations	106,358	241,708

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 28% as follows:

(Loss) profit before taxation	(377,010)	1,368,722
Tax at the UK effective corporation tax rate of 28% (2010: 28%)	(105,563)	383,242
Effects of:		
Non-deductable expenses	447	657
Differences arising on overseas earnings	136,400	(103,020)
Differences arising on capital sales and investment income	34,437	(74,393)
Deferred tax on losses not recoverable	58,024	35,222
Effect of change in tax rate	(17,387)	-
Total tax charge for the financial year	106,358	241,708

12. (Loss) earnings per share

The earnings and net assets per share has been calculated by reference to the weighted average number of ordinary shares of 10p each in issue of 8,335,414 (2010: 8,335,414). There are no share options, convertible equity or debt instruments in issue.

	Continuing earnings	Number of shares
2011		
Basic earnings / weighted average number shares	(593,320)	8,333,541
Basic loss per share (pence)	(7.12p)	
2010		
Basic earnings / weighted average number shares	1,104,481	8,333,541
Basic earnings per share (pence)	13.25p	

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

13. Property, plant and equipment

	Freehold land and buildings £	Leasehold land and buildings under 50 years £	Plant and equipment £	Total £
Cost				
At directors' valuation 1972	-	157,500	-	157,500
At independent valuation 1974	-	491,037	-	491,037
At independent valuation 1978	2,149,337	-	-	2,149,337
At cost	3,982,839	4,346,025	3,658,687	11,987,551
At 1st April 2010	6,132,176	4,994,562	3,658,687	14,785,425
Exchange differences	(114,812)	(563,880)	(221,343)	(900,035)
Additions	96,888	1,166,285	64,540	1,327,713
Disposals	(7,258)	-	(19,757)	(27,015)
At 31st March 2011	6,106,994	5,596,967	3,482,127	15,186,088
Depreciation				
At 1st April 2010	364,513	1,274,468	2,715,174	4,354,155
Exchange differences	(6,825)	(107,299)	(138,597)	(252,721)
Charge for year	25,015	170,534	167,764	363,313
Disposals	-	-	(5,839)	(5,839)
At 31st March 2011	382,703	1,337,703	2,738,502	4,458,908
Carrying value				
2011	5,724,291	4,259,264	743,625	10,727,180
2010	5,767,663	3,720,094	943,513	10,431,270

At 31st March 2011 the group's carrying value of plant and equipment held under finance leases and similar agreements was £121,131 (2010: £174,607).

At 31st March 2011 the group had entered into contractual commitments for the acquisition of property, plant and equipment of £Nil (2010: £Nil).

	2011 £	2010 £
14. Investment in subsidiary undertakings		
Company		
At 1st April 2010	3,272,063	5,471,948
Disposal and impairment provisions	(124,847)	(2,199,885)
At 31st March 2011	3,147,216	3,272,063

A list of the significant investments in subsidiaries, including the country of incorporation, is given on page 36.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

15. Deferred tax asset

	Tax losses recognised	Unremitted overseas earnings	Total
Group	£	£	£
At 1st April 2010 at 28%	514,676	(352,398)	162,278
(Charged) credited to income statement	(238,470)	228,060	(10,410)
At 31st March 2011 at 27%	276,206	(124,338)	151,868
Company			
At 1st April 2010 at 28%	514,676	(352,398)	162,278
(Charged) credited to income statement	(238,470)	228,060	(10,410)
At 31st March 2011 at 27%	276,206	(124,338)	151,868

Deferred tax at 31st March 2011 has been calculated using the rate of tax that is expected to apply when timing differences reverse. At 31st March 2011 the group had unused capital losses of £438,955 (2010: £464,496) 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.

	2011	2010
	£	£
16. Inventory		
Raw materials and consumables	29,498	31,462

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
17. Trade and other receivables				
Trade debtors	600,529	493,358	-	-
Amounts recoverable on long term contracts	70,138	29,694	-	-
Loans to group undertakings	-	-	1,324,139	1,548,769
Other debtors	163,628	198,435	2,400	4,995
Prepayments and accrued income	294,305	109,430	5,189	5,040
Social security and other taxes	223,353	88,429	7,723	3,975
	1,351,953	919,346	1,339,451	1,562,779

18. Current asset investments

Listed investments	1,613,722	1,484,057	347,805	449,060
Unlisted investments	118,000	60,796	118,000	58,320
	1,731,722	1,544,853	465,805	507,380

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

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	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
19. Cash and cash equivalents				
Cash at bank and in hand	356,077	258,507	-	24
Deposit accounts	1,008,464	1,627,809	-	-
	<u>1,364,541</u>	<u>1,886,316</u>	<u>-</u>	<u>24</u>

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

20. Trade and other payables

Trade creditors	424,803	404,699	72,531	43,373
Loans from group undertakings	-	-	998,226	2,160,864
Social security and other taxes	94,871	59,062	3,642	4,669
Directors' loans	890,685	1,176,724	282,159	814,112
Accruals and deferred income	263,313	254,839	28,370	29,692
Other creditors	82,159	71,771	50,071	50,082
	<u>1,755,831</u>	<u>1,967,095</u>	<u>1,434,999</u>	<u>3,102,792</u>

21. Borrowings

Current liabilities

Bank loans and overdrafts	1,241,666	974,888	257,869	333,835
Other loans	676,531	669,014	-	-
	<u>1,918,197</u>	<u>1,643,902</u>	<u>257,869</u>	<u>333,835</u>

Non- current liabilities

Bank loans	<u>2,893,409</u>	<u>1,909,535</u>	<u>-</u>	<u>-</u>
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Bank loans

Over one year and under two years	330,724	492,705	-	-
Over two years and under five years	219,594	1,416,830	-	-
Over five years	2,343,091	-	-	-
	<u>2,893,409</u>	<u>1,909,535</u>	<u>-</u>	<u>-</u>

Cordura Limited (Tanzania) has loans of \$5,529,155 at fixed rates of 6.35% and 7%. All other group bank borrowings are at a floating interest rates based on the relevant LIBOR equivalent. At the 31st March 2011 the group had £4,615,668 (2010: £3,759,631) of committed facilities of which £4,135,075 (2010: £2,884,423) was utilised.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

The group's UK bank loans are secured by a charge over certain assets of the group and by cross guarantees between the UK undertakings. These borrowings at 31st March 2011 were £564,362 (2010: £464,327). Industrial Investment Corporation Limited has provided guarantees of £500,000 to Barclays Bank Plc in respect of UK bank borrowings.

St Georges Bay Hotel Limited (Malta) had borrowings at 31st March 2011 of £Nil (2010: £17,382) secured by a fixed and floating charge over its assets.

Cordura Limited (Tanzania) had borrowings at 31st March 2011 of £3,570,713 (2010: £2,402,240) secured by a fixed and floating charge over its assets. Industrial Investment Corporation has provided guarantees of \$500,000 in respect of Tanzania bank borrowings. Mr Charles H. Bailey has provided guarantees of \$400,000 in respect of Tanzania bank borrowings.

22. Contingent Asset

On the 9th October 2009, St George's Bay Hotel Limited entered in to a conditional agreement to sell the majority of the group's hotel complex in Malta, to Vic Bon Limited, a company incorporated in Malta. A deposit of 815,300 Euros (£750,076) was paid by the buyer. This deposit at 31st March 2011 is £720,431 (2010: £734,178).

On completion (which is conditional on appropriate permission for the development of this property), St George's Bay Hotel Limited will receive further consideration of 28,301,867 Euros giving a total cash consideration for the hotel complex of 29,117,167 Euros.

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
23. Obligations under finance leases				
Amounts payable under finance leases:				
Within one year	19,294	35,144	-	-
Over one year and under five years	4,156	14,180	-	-
	23,450	49,324	-	-
Less future finance charges	(6,100)	(11,456)	-	-
Present value of lease obligations	17,350	37,868	-	-
Current liabilities	(14,491)	(26,897)	-	-
Non-current liabilities	2,859	10,971	-	-

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 2011

24. Provisions

	Legal £
Group	
At 1st April 2010	225,000
At 31st March 2011	<u>225,000</u>
Company	
At 1st April 2010	225,000
At 31st March 2011	<u>225,000</u>

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.

25. Deferred tax liabilities

	Revaluation surplus £
Group	
At 1st April 2010	735,862
Exchange differences	(13,778)
Charges to income statement	10,558
At 31st March 2011	<u>732,642</u>

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.

	2011 £	2010 £
26. Called-up share capital		
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>

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

27. Share capital and reserves

	Called-up share capital £	Share premium account £	Capital redemption reserve £	Translation reserve £	Retained earnings £	Minority interest £	Total £
Group							
At 1st April 2010	833,541	609,690	5,163,332	769,123	267,376	79,023	7,722,085
Purchase of minority interest	-	-	-	-	(22,234)	(7,766)	(30,000)
Loss for the financial year	-	-	-	-	(593,320)	7,032	(586,288)
Exchange differences	-	-	-	105,507	(115,922)	(1,480)	(11,895)
At 31st March 2011	<u>833,541</u>	<u>609,690</u>	<u>5,163,332</u>	<u>874,630</u>	<u>(464,100)</u>	<u>76,809</u>	<u>7,093,902</u>
Company							
At 1st April 2010	833,541	609,690	5,163,332	-	(4,761,720)	-	1,844,843
Profit for the financial year	-	-	-	-	1,343,614	-	1,343,614
At 31st March 2011	<u>833,541</u>	<u>609,690</u>	<u>5,163,332</u>	<u>-</u>	<u>(3,418,106)</u>	<u>-</u>	<u>3,188,457</u>

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

28. Cash generated from operations

	2011 £	2010 £
Operating (loss) profit continuing operations	(252,694)	1,558,071
Depreciation	363,313	414,431
(Profit) on the sale of property, plant and equipment	(587,987)	(2,013,937)
(Profit) on sale of current asset investments	(26,333)	(5,703)
Fair value movement of investments	(120,823)	(84,543)
Provision on current asset investments	118,175	(244,665)
Exchange differences	541,664	263,534
Cash generated from operations before movements in working capital	<u>35,315</u>	<u>(112,812)</u>
Decrease in inventories	1,964	9,120
(Increase) decrease in trade and other receivables	(432,607)	166,607
Increase in trade and other payables	74,775	72,980
Cash generated from operations	<u>(320,553)</u>	<u>135,895</u>

29. Analysis of net debt

Cash and cash equivalents	1,364,541	1,886,316
Bank loans and overdrafts	(1,241,666)	(974,888)
	<u>122,875</u>	<u>911,428</u>
Bank loans - non-current	(2,893,409)	(1,909,535)
Obligations under finance leases	(17,350)	(37,868)
Other loans	(676,531)	(669,014)
	<u>(3,464,415)</u>	<u>(1,704,989)</u>

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

30. 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 29, and equity comprising issued share capital, reserves and retained earnings as disclosed in note 27. The gearing ratio is:

	2011 £	2010 £
Net debt	3,464,415	1,704,989
Equity	7,093,902	7,722,085
Net debt to equity percentage	48.8%	22.1%

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.

Categories of financial instruments

Cash and cash equivalents		1,364,541	1,886,316
Bank loans and overdrafts - current		(1,241,666)	(974,888)
Bank loans - non-current		(2,893,409)	(1,909,535)
Other loans		(676,531)	(669,014)
Obligations under finance leases		(17,350)	(37,868)
Financial liabilities		<u>(3,464,415)</u>	<u>(1,704,989)</u>
Current assets investments		1,731,722	1,544,853
Other net operating assets		<u>8,826,595</u>	<u>7,882,221</u>
Total net assets		<u>7,093,902</u>	<u>7,722,085</u>
Financial liabilities	Dollar	(3,338,223)	(2,077,582)
	Sterling	(1,263,902)	(1,260,425)
	Euro	<u>1,137,710</u>	<u>1,633,018</u>
		<u>(3,464,415)</u>	<u>(1,704,989)</u>
Current asset investments	Dollar	1,247,757	1,037,473
	Sterling	<u>483,965</u>	<u>507,380</u>
		<u>1,731,722</u>	<u>1,544,853</u>

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

Financial risk management

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

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 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 rate risk management

The group's activities expose it to the financial risks of changes in interest rates, however, interest charged on bank loans totalling \$5,529,155 is at fixed rates of 6.35% and 7%. Other group 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.

31. 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:

	2011	2010
	£	£
Within one year	812	1,083
After five years	13,185	13,185
	<u>13,997</u>	<u>14,268</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.

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

32. Related party transactions

At 31st March 2011, the group owed Mr Charles H.Bailey £844,076 (2010 : £1,073,568) on which there was interest charged to the income statement of £42,674 (2010: £42,473). At 31st March 2011, the group owed Mrs S. A. Bailey £46,609 (2010: £103,156) on which there was interest charged to the income statement of £1,840 (2010: £3,136). In addition, the group has made loans totalling 165,000 Euros to Sefranda Limited, a company controlled by Dr. A. Galea, a director of St Georges Bay Hotel Limited. Transactions between the company and its subsidiary undertakings, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2011

	Percentage of ordinary share capital held	Principle activities
Industrial division:		
Bailey Industrial Engineering Limited (UK)	100%	Engineering
Leisure:		
Bay Travel Limited (UK)	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

C. H. BAILEY PLC

FIVE YEAR HISTORY

	2011 £	2010 £	2009 £	2008 £	2007 £
Continuing operations					
Revenue	4,298,596	3,897,260	5,369,623	5,526,195	5,594,850
Continuing operations					
Operating profit (loss) before exceptional items, investments activities and depreciation	39,830	(237,573)	(729,683)	(723,294)	(401,919)
Investment activities and other income	(517,198)	196,138	449,557	(35,302)	387,261
Depreciation	(363,313)	(414,431)	(412,413)	(266,857)	(198,921)
Profit (loss) on sale of plant and equipment	128	495	(67,195)	85	-
Goodwill impairment	-	-	-	(29,750)	(1,750)
Profit on sale of property	587,859	2,013,442	1,847,320	-	-
	(252,694)	1,558,071	1,087,586	(1,055,118)	(215,329)
Net finance costs	(227,236)	(189,349)	(318,932)	(209,339)	(105,756)
(Loss) profit before taxation	(479,930)	1,368,722	768,654	(1,264,457)	(321,085)
Taxation	(106,358)	(241,708)	(379,556)	(65,010)	105,237
Minority interest	(7,032)	(22,533)	(18,295)	(126,694)	(800)
(Loss) profit for the year from continuing operations	(593,320)	1,104,481	370,803	(1,456,161)	(216,648)
(Loss) for the year from discontinued operations	-	-	(94,221)	(706,626)	(474,788)
(Loss) profit for the financial year	(593,320)	1,104,481	276,582	(2,162,787)	(691,436)
(Loss) earnings per share	(7.12p)	13.25p	3.38p	(26.40p)	(8.44p)