

# C.H. BAILEY PLC

## Consolidated Income Statement for the six months ended 30<sup>th</sup> September 2007 (unaudited)

Results for the 6 month period ended 30<sup>th</sup> September 2007 are disappointing and show a loss of £785,307 (2006 £552,467). Turnover has decreased by £293,737 (5.3%) with a decrease in gross profit of 4.4%.

### **UK Operations**

The UK Engineering companies have reported a reduction in sales, with both Specialist Heavy Engineers Ltd and Midway Precision Ltd reporting a decrease in revenue but forecasting improved sales for the second half of the year. Modular Automation International Ltd (MAIL), has seen an increase in enquiries, but less confirmed sales and reported a loss for the period of approximately £300,000. In recent months, we have seen a substantial improvement and are confident that with an order book of over £ 4 million, this position will be reversed. MAIL is projecting a profit for the full year in excess of £200,000.

### **Malta**

Our hotel in Malta has once again been profitable. Whilst we continue to speak to planners and third parties regarding the re-development, we are disappointed with the progress to date. We will be addressing this issue again in the New Year and hope to report further progress in the near future.

### **Tanzania**

The new Oyster Bay Hotel was finished on time and re-opened its doors in November. The Hotel is unique for Dar es salaam being a boutique hotel offering a different quality of accommodation and service to those that currently exist. Sales are expected to be quiet until the new tourist season begins in June 2008 when we are encouraged with the level of bookings.

The office development is on target to be completed by May 2008. We can report an increase in demand and that agreements have been signed with tenants for over 50% of the office accommodation. We are confident that we shall reach 100% occupancy by the time the offices become available for occupation.

Beho Beho has seen increased revenues and occupancy and has maintained its market share and reputation in the international tourist market. Mikumi Wildlife Camp has also seen improvements and continues to contribute to group.

### **Investment**

This division has seen a turbulent time over the past few months with large variances in World financial markets. We are pleased to report that our fund managers are currently weathering the storm and have maintained growth of your managed investments in these difficult times.

### **Current Trading and outlook**

We are naturally disappointed in the half year results however, there are encouraging signs within the group. We are conscious of the global uncertainty and are continually looking to reduce costs in order to achieve greater efficiencies and better margins. With the Hotel development now completed in Tanzania, we expect our financial reports to record further increases in revenues and we believe that these contributions will help the group move forward and improve the bottom line.

Charles Bailey  
Chairman

December 21st 2007

# C.H. BAILEY PLC

## Consolidated Income Statement for the six months ended 30<sup>th</sup> September 2007 (unaudited)

	Six months ended 30th September 2007	Six months ended 30th September 2006	Year ended 31st March 2007
	£	£	£
<b>Continuing operations</b>			
<b>Revenue</b>	5,218,153	5,511,890	11,021,082
Cost of sales	(4,163,765)	(4,153,357)	(8,181,967)
<b>Gross profit</b>	1,054,388	1,358,533	2,839,115
Administrative expenses	(1,777,719)	(1,742,653)	(3,377,842)
<b>Trading (loss)</b>	(723,331)	(384,120)	(538,727)
Investment activities and other income	(52,357)	(24,496)	387,261
<b>Operating (loss)</b>	(775,688)	(408,616)	(151,466)
<b>EBITDI</b>			
	(609,404)	(236,411)	170,191
Depreciation and impairment losses	(166,284)	(172,205)	(317,737)
(Loss) on the sale of property, plant and equipment	-	-	(3,920)
<b>Operating (loss)</b>	(775,688)	(408,616)	(151,466)
Finance income	958	5,645	15,767
Finance costs	(86,464)	(61,757)	(120,395)
<b>(Loss) before taxation</b>	(861,194)	(464,728)	(256,094)
Taxation	11,635	22,704	55,456
Minority interest	64,252	(17,124)	(18,545)
<b>(Loss) for the period from continuing operations</b>	(785,307)	(459,148)	(219,183)
<b>Discontinued operations</b>			
(Loss) for the period from discontinued operations	-	(93,319)	(472,253)
<b>(Loss) for the financial period</b>	(785,307)	(552,467)	(691,436)
<b>Earnings per share from continuing operations</b>	(9.59p)	(5.60p)	(2.68p)
<b>Earnings per share from total operations</b>	(9.59p)	(6.74p)	(8.44p)

EBITDI is Earnings before interest, taxation, depreciation and impairment provisions.

# C.H. BAILEY PLC

## Consolidated Balance Sheet as at 30<sup>th</sup> September 2007 (unaudited)

	30th September 2007	30th September 2006	31st March 2007
	£	£	£
<b>Non-current assets</b>			
Property, plant and equipment	8,834,687	7,343,691	7,738,117
Goodwill	629,387	717,050	672,781
Lease prepayments	47,996	54,344	51,170
Deferred tax asset	774,593	670,150	708,444
	10,286,663	8,785,235	9,170,512
<b>Current assets</b>			
Stocks	225,594	350,195	180,584
Trade and other receivables	3,625,771	3,204,292	4,406,904
Other current asset investments	1,840,638	2,387,186	1,865,615
Cash and cash equivalents	226,336	294,329	244,047
	5,918,339	6,236,002	6,697,150
<b>Current liabilities</b>			
Bank loans and overdrafts	(824,946)	(846,775)	(576,186)
Trade and other payables	(4,326,110)	(3,864,449)	(4,579,337)
Current tax liabilities	(205,609)	(209,751)	(294,703)
Other loans	(653,459)	(739,219)	(647,335)
Obligations under finance leases	(59,599)	(41,448)	(59,599)
Provisions	(217,235)	(137,582)	(135,505)
	(6,286,958)	(5,839,224)	(6,292,665)
<b>Net current assets</b>	(368,619)	396,778	404,485
<b>Total assets less current liabilities</b>	9,918,044	9,182,013	9,574,997
<b>Non-current liabilities</b>			
Bank loans	(1,759,857)	(353,603)	(724,691)
Obligations under finance leases	(53,339)	(64,894)	(82,721)
Cumulative preference shares	(530,180)	(530,180)	(530,180)
Deferred tax liabilities	(713,636)	(659,122)	(659,122)
<b>Net assets</b>	6,861,032	7,574,214	7,578,283
<b>Equity</b>			
Share capital	833,541	833,541	833,541
Share premium account	609,690	609,690	609,690
Capital redemption reserve	5,163,332	5,163,332	5,163,332
Investment in own shares	(187,528)	(187,528)	(187,528)
Foreign currency translation reserve	1,371,718	1,201,818	1,257,185
Retained earnings	(766,812)	46,047	(6,816)
	7,023,941	7,666,900	7,669,404
<b>Surplus attributable to the parent's shareholders</b>	7,023,941	7,666,900	7,669,404
Minority interest	(162,909)	(92,686)	(91,121)
<b>Total equity</b>	6,861,032	7,574,214	7,578,283

# C.H. BAILEY PLC

## Consolidated Cash Flow Statement for the six months ended 30<sup>th</sup> September 2007 (unaudited)

	Six months ended 30th September 2007	Six months ended 30th September 2006	Year ended 31st March 2007
	£	£	£
<b>Cash flows from operating activities</b>			
Cash flow from operations	(72,345)	54,498	(728,876)
Interest paid	(86,464)	(61,757)	(120,395)
Overseas tax paid	-	-	(5,542)
<b>Net cash flow from operating activities</b>	(158,809)	(7,259)	(854,813)
<b>Investing activities</b>			
Sale of property, plant and equipment	-	-	600
Purchase of property, plant and equipment	(1,089,736)	(245,068)	(724,843)
Investment in associated undertaking	-	-	(100,000)
Sale of investments	43,737	234,322	1,803,375
Purchase of investments	(103,222)	(305,118)	(600,430)
Interest received	958	5,645	15,767
<b>Net cash flow from investing activities</b>	(1,148,263)	(310,219)	394,469
<b>Financing activities</b>			
Movement in bank loans	1,041,505	50,929	420,961
Movement in directors' loans	29,837	(276,250)	(201,571)
Movement in other loans	6,124	9,565	(82,319)
Movement in capital element of finance leases	(29,382)	11,442	47,420
<b>Net cash flow from financing activities</b>	1,048,084	(204,314)	184,491
<b>Net decrease in cash and cash equivalents</b>	(258,988)	(521,792)	(275,853)
Cash and cash equivalents at beginning of period	(332,139)	11,226	11,226
Effect of foreign exchange rate changes	(7,483)	(41,880)	(67,512)
<b>Cash and cash equivalents at end of period</b>	(598,610)	(552,446)	(332,139)
 <b>Reconciliation of net cash flow to movement in net debt in the period</b>			
Net decrease in cash and cash equivalents	(258,988)	(521,792)	(275,853)
Cash inflow from the increase in debt	(1,018,247)	(71,936)	(386,062)
<b>Movement in net debt during the period</b>	(1,277,235)	(593,728)	(661,915)
Net debt at the beginning of period	(1,846,485)	(1,123,140)	(1,123,140)
Effect of foreign exchange rate changes	(1,144)	(34,742)	(61,430)
<b>Net debt at the end of the period</b>	(3,124,864)	(1,751,610)	(1,846,485)

# C.H. BAILEY PLC

## Consolidated Statement of Recognised Income and Expense for the six months ended 30<sup>th</sup> September 2007 (unaudited)

	Six months ended 30th September 2007 £	Six months ended 30th September 2006 £	Year ended 31st March 2007 £
Currency translation differences	139,844	63,202	204,675
<b>Net income recognised directly in equity</b>	<b>139,844</b>	<b>63,202</b>	<b>204,675</b>
Loss for the period attributable to equity shareholders	(785,307)	(552,467)	(691,436)
<b>Total recognised expense for the period attributable to equity shareholders</b>	<b>(645,463)</b>	<b>(489,265)</b>	<b>(486,761)</b>

# C.H. BAILEY PLC

## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

### 1. General Information

#### Basis of preparation

These interim financial statements have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union and with the Companies Act 1985. They comply with the requirements of IAS 34 – Interim Financial Reporting.

The information for the year ended 31 March 2007 does not constitute the group's statutory accounts for 2007 as defined in Section 240 of the Companies Act 1985. Statutory accounts for 2007 have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

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

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

#### Functional and presentational currency

The financial statements are presented in pounds sterling because that is the functional currency of the primary economic environment in which the group operates.

#### First time adoption of International Financial Reporting Standards

This is the group's first interim statement that has been prepared in accordance with IFRS. The group's transition date for adoption of IFRS is 1<sup>st</sup> April 2006. An explanation of how the transition to IFRS has affected the group's financial position at the date of the last interim report prepared in accordance with UK GAAP and the last reporting date under UK GAAP together with a reconciliation of the results under UK GAAP to IFRS are given in note 9.

The group has revised its accounting policies where applicable to conform with IFRS and the significant policies having an effect on the interim statement are set out below. These policies have been applied consistently to all the periods presented across all group companies and in preparing the opening balance sheet at 1<sup>st</sup> 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.

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## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

### 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 30<sup>th</sup> September 2007.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

#### Business combinations and goodwill

Goodwill arising on consolidation represents the excess of consideration over the group's interest in the fair value of assets acquired. Goodwill is recognised as an asset and is not amortised. It is reviewed for impairment at each reporting date as detailed in "impairment of non-financial assets" below.

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.

#### 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.

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## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided on a straight line basis using rates calculated to write down the cost of each asset over its estimated useful life as follows:

Property:

Freehold buildings and long leasehold property	1%
Short leasehold buildings	Period of the lease
Plant and equipment	Between 5% and 50%

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

### Leased assets

#### Lessee accounting

Property leases are split into two elements, land and buildings and each considered in isolation and each element is reviewed to determine if it is operating or finance in nature. Initial rental payments in respect of operating leases are included in current and non-current assets as appropriate and amortised to the income statement over the period of the lease. Ongoing rental payments are charged as an expense in the income statement on a straight line basis until the date of the rent review. Finance leases are capitalised and depreciated in accordance with the accounting policy for property, plant and equipment.

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 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.

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## **Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)**

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 period and takes into account taxation deferred because of differences between the treatment of certain items for taxation and for accounting purposes. Full provision is made for the tax effects of these differences. Deferred tax is provided on unremitted earnings from overseas subsidiaries where it is probable that these earnings will be remitted to the UK in the foreseeable future. Deferred tax is measured using tax rates that have been enacted, or substantively enacted, by the period end balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of the deferred tax assets is reviewed at each reporting balance sheet date to ensure that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Assets and liabilities, in respect of both deferred and current tax, are only offset when there is a legally enforceable right to offset and the assets and liabilities relate to taxes levied by the same taxation authority.

Deferred and current tax are charged or credited in the income statement except when they relate to items charged directly to equity in which case the associated tax is also dealt with in equity.

### **Stocks**

Stocks are valued at the lower of cost of purchase and net realisable value. Cost comprises actual purchase price and where applicable associated direct costs incurred bringing the stock to its present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

### **Financial instruments**

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

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## **Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)**

### **Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Allowances for irrecoverable amounts, which are dealt with in the income statement, are calculated based on the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash-in-hand, cash at bank and short term highly liquid investments that are readily convertible into known amounts of cash within three months from the date of initial acquisition with an insignificant risk of a change in value.

### **Trade and other payables**

Trade and other payables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective rate method.

### **Bank loans**

Interest bearing bank loans are recorded at the proceeds received less capital repayments made. Finance charges are accounted for on an accruals basis in the income statement using the effective interest rate method. They are included within accruals to the extent that they are not settled in the period in which they arise.

### **Provisions**

Provisions are created where the group has a present obligation (legal or constructive) as a result of a past event where it is probable that the group will be required to settle that obligation at the balance sheet date. Provisions are only discounted to present value where the effect is material.

### **Net debt**

Net debt is defined as cash and cash equivalents, bank and other loans including finance lease obligations and derivative financial instruments stated at current fair value.

### **Revenue recognition**

#### **Revenue**

Revenue represents the fair value of the consideration received and receivable for services provided and goods supplied to third party customers. In respect of long term contracts and contracts for on-

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## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

going services, revenue is recognised as the contract progresses on the basis of work completed. Revenue excludes value added tax.

### Investment and interest income

Dividend income is recognised in the income statement when the shareholder's right to receive payment has been established.

Interest income from bank deposit accounts is accrued on a time basis calculated by reference to the principal on deposit and effective interest rate applicable.

### Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into pounds sterling at the financial reporting period end rates.

The results of overseas subsidiary undertakings, associates and trade investments are translated into pounds sterling at average rates for the period unless exchange rates fluctuate significantly during that period in which case exchange rates at the date of transactions are used. The closing balance sheets are translated at the period end rates and the exchange differences arising are transferred to the group's translation reserve as a separate component of equity and are reported within the Statement of Recognised Income and Expense. All other exchange differences are included within the Income Statement in the period.

### Operating profit

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

### Finance costs

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

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## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

### 3. Segmental information

Classes of business		Turnover continuing operations £	Operating (loss) continuing operations £	Operating (loss) discontinued operations £	Net assets £
<b>Industrial:</b>					
Six months to 30th September	2007	3,596,443	(341,535)	-	469,822
Six months to 30th September	2006	4,024,780	29,376	(93,319)	702,528
Year to 31st March	2007	8,614,953	295,661	(472,253)	1,027,424
<b>Leisure:</b>					
Six months to 30th September	2007	1,610,210	46,245	-	5,572,552
Six months to 30th September	2006	1,477,931	73,746	-	5,489,175
Year to 31st March	2007	2,387,627	(76,549)	-	5,459,064
<b>Agents, managers, consultants and investors:</b>					
Six months to 30th September	2007	11,500	(480,398)	-	818,658
Six months to 30th September	2006	9,179	(511,738)	-	1,382,511
Year to 31st March	2007	18,502	(370,578)	-	1,091,795
<b>Total:</b>					
Six months to 30th September	2007	5,218,153	(775,688)	-	6,861,032
Six months to 30th September	2006	5,511,890	(408,616)	(93,319)	7,574,214
Year to 31st March	2007	11,021,082	(151,466)	(472,253)	7,578,283
<b>Geographical segments</b>					
<b>United Kingdom:</b>					
Six months to 30th September	2007	3,507,316	(680,012)	-	925,189
Six months to 30th September	2006	3,699,148	(224,834)	(93,319)	1,618,439
Year to 31st March	2007	7,929,503	(302,307)	(472,253)	1,320,881
<b>Malta, Tanzania and Rest of the World:</b>					
Six months to 30th September	2007	1,710,837	(95,676)	-	5,935,843
Six months to 30th September	2006	1,812,742	(183,782)	-	5,955,775
Year to 31st March	2007	3,091,579	150,841	-	6,257,402
<b>Total:</b>					
Six months to 30th September	2007	5,218,153	(775,688)	-	6,861,032
Six months to 30th September	2006	5,511,890	(408,616)	(93,319)	7,574,214
Year to 31st March	2007	11,021,082	(151,466)	(472,253)	7,578,283

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### 4. Discontinued activities

During the year ended 31<sup>st</sup> March 2007, the group disposed of the subsidiary undertaking P&D Electrical Services Limited.

### 5. Earnings per share

The calculation of earnings per share is based on the loss for the period divided by the weighted average number of ordinary shares excluding own shares held. This is 8,192,980 shares for the periods to 30<sup>th</sup> September 2006 and 2007 and for the year ended 31<sup>st</sup> March 2007.

### 6. Share capital

	30th September 2007	30th September 2006	31st March 2007
Authorised:	£	£	£
60,000,000 ordinary shares of 10p each	6,000,000	6,000,000	6,000,000
Issued and fully paid:			
8,335,414 ordinary shares of 10p each	833,541	833,541	833,541

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

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## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

### 7. Cash flows from operations

	Six months ended 30th September 2007 £	Six months ended 30th September 2006	Year ended 31st March 2007 £
Operating loss - continuing operations	(775,688)	(408,616)	(151,466)
Operating loss - discontinuing operations	-	(93,319)	(472,253)
Depreciation	166,284	172,205	317,737
Loss on sale of tangible fixed assets	-	-	3,920
(Profit) on sale of investments	(11,984)	(34,541)	(754,232)
Movement in fair value of investments	28,551	104,611	71,502
(Profit) on sale of subsidiary undertaking	-	-	(10,032)
Provision against cost of investments	67,895	16,290	16,920
Exchange rate adjustments	6,902	328,421	479,466
(Increase) decrease in stock and work in progress	(45,010)	51,959	221,570
(Increase) decrease in debtors	781,133	700,474	(502,138)
(Decrease) in creditors	(290,428)	(782,986)	(59,902)
Working capital transferred on sale of subsidiary undertaking	-	-	110,032
Cash flow from operations	<u>(72,345)</u>	<u>54,498</u>	<u>(728,876)</u>

### 8. Cash and cash equivalents

	1st April 2007 £	Cash flow £	Exchange rate adjustments £	30th September 2007 £
Cash and bank overdrafts	( 335,096)	( 259,081)	( 7,375)	( 601,552)
Liquid resources	2,957	93	( 108)	2,942
	<u>( 332,139)</u>	<u>( 258,988)</u>	<u>( 7,483)</u>	<u>( 598,610)</u>
Other loans due within one year	( 647,335)	( 6,124)	-	( 653,459)
Finance leases	( 142,320)	29,382	-	( 112,938)
Bank loans due after more than one year	( 724,691)	( 1,041,505)	6,339	( 1,759,857)
Net funds/(debt)	<u>( 1,846,485)</u>	<u>( 1,277,235)</u>	<u>( 1,144)</u>	<u>( 3,124,864)</u>

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

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## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

### 9. Explanation of transition to IFRS

The following disclosures are required to explain the financial impact of adopting IFRS on the group.

#### Reconciliation of equity as at 1<sup>st</sup> April 2006 (date of transition to IFRS)

	UK GAAP	Reclassifications	IFRS 1 First time adoption	IAS 17 Leases	IFRS
	£	£	£	£	£
<b>Non-current assets</b>					
Goodwill	761,319	-	-	-	761,319
Property, plant and equipment	7,512,405	-	-	(57,518)	7,454,887
Lease prepayments	-	-	-	57,518	57,518
Deferred tax asset	-	647,446	-	-	647,446
	<u>8,273,724</u>	<u>647,446</u>	<u>-</u>	<u>-</u>	<u>8,921,170</u>
<b>Current assets</b>					
Stocks	402,154	-	-	-	402,154
Trade and other receivables	4,552,212	(647,446)	-	-	3,904,766
Other currents assets 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>-</u>	<u>6,989,222</u>
<b>Current liabilities</b>					
Bank loans and overdrafts	-	(268,326)	-	-	(268,326)
Trade and other payables	(6,064,838)	1,396,356	-	-	(4,668,482)
Current tax liabilities	-	(356,928)	-	-	(356,928)
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>
<b>Net current assets</b>	<u>1,571,830</u>	<u>(893,054)</u>	<u>-</u>	<u>-</u>	<u>678,776</u>
<b>Total assets less current liabilities</b>	<u>9,845,554</u>	<u>(245,608)</u>	<u>-</u>	<u>-</u>	<u>9,599,946</u>
<b>Non-current liabilities</b>					
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	-	-	(659,122)	-	(659,122)
Provisions	(245,608)	245,608	-	-	-
	<u>(1,139,052)</u>	<u>245,608</u>	<u>(659,122)</u>	<u>-</u>	<u>(1,552,566)</u>
<b>Net assets</b>	<u>8,706,502</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>8,047,380</u>
<b>Equity</b>					
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)
Foreign currency translation reserve	-	-	1,283,365	-	1,283,365
Retained earnings	(771,780)	-	1,225,545	-	453,765
Revaluation reserve	1,717,035	-	(1,717,035)	-	-
Other reserves	743,143	-	(743,143)	-	-
Investment revaluation reserve	707,854	-	(707,854)	-	-
	<u>8,815,287</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>8,156,165</u>
<b>Surplus attributable to parent's shareholders</b>	<u>8,815,287</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>8,156,165</u>
Minority interest	(108,785)	-	-	-	(108,785)
<b>Total equity</b>	<u>8,706,502</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>8,047,380</u>

# C.H. BAILEY PLC

## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

### 9. Explanation of transition to IFRS (continued)

#### Reconciliation of equity as at 30<sup>th</sup> September 2006 (date of last UK GAAP Interim Statement)

	UK GAAP	Reclassifications	IFRS 1 First time adoption	IAS 17 Leases	IFRS
	£	£	£	£	£
<b>Non-current assets</b>					
Goodwill	717,050	-	-	-	717,050
Property, plant and equipment	7,398,035	-	-	(54,344)	7,343,691
Lease prepayments	-	-	-	54,344	54,344
Deferred tax asset	-	670,150	-	-	670,150
	<u>8,115,085</u>	<u>670,150</u>	<u>-</u>	<u>-</u>	<u>8,785,235</u>
<b>Current assets</b>					
Stocks	350,195	-	-	-	350,195
Trade and other receivables	3,874,442	(670,150)	-	-	3,204,292
Other currents assets investments	2,387,186	-	-	-	2,387,186
Cash and cash equivalents	294,329	-	-	-	294,329
	<u>6,906,152</u>	<u>(670,150)</u>	<u>-</u>	<u>-</u>	<u>6,236,002</u>
<b>Current liabilities</b>					
Bank loans and overdrafts	-	(846,775)	-	-	(846,775)
Trade and other payables	(5,701,642)	1,837,193	-	-	(3,864,449)
Current tax liabilities	-	(209,751)	-	-	(209,751)
Other loans	-	(739,219)	-	-	(739,219)
Obligations under finance leases	-	(41,448)	-	-	(41,448)
Provisions	-	(137,582)	-	-	(137,582)
	<u>(5,701,642)</u>	<u>(137,582)</u>	<u>-</u>	<u>-</u>	<u>(5,839,224)</u>
<b>Net current assets</b>	<u>1,204,510</u>	<u>(807,732)</u>	<u>-</u>	<u>-</u>	<u>396,778</u>
<b>Total assets less current liabilities</b>	<u>9,319,595</u>	<u>(137,582)</u>	<u>-</u>	<u>-</u>	<u>9,182,013</u>
<b>Non-current liabilities</b>					
Bank loans	(948,677)	595,074	-	-	(353,603)
Obligations under finance leases	-	(64,894)	-	-	(64,894)
Cumulative preference shares	-	(530,180)	-	-	(530,180)
Deferred tax liabilities	-	-	(659,122)	-	(659,122)
Provisions	(137,582)	137,582	-	-	-
	<u>(1,086,259)</u>	<u>137,582</u>	<u>(659,122)</u>	<u>-</u>	<u>(1,607,799)</u>
<b>Net assets</b>	<u>8,233,336</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>7,574,214</u>
<b>Equity</b>					
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)
Foreign currency translation reserve	-	-	1,201,818	-	1,201,818
Retained earnings	(1,039,826)	-	1,085,873	-	46,047
Revaluation reserve	1,682,274	-	(1,682,274)	-	-
Other reserves	661,296	-	(661,296)	-	-
Investment revaluation reserve	603,243	-	(603,243)	-	-
	<u>8,326,022</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>7,666,900</u>
<b>Surplus attributable to parent's shareholders</b>	<u>8,326,022</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>7,666,900</u>
Minority interest	(92,686)	-	-	-	(92,686)
<b>Total equity</b>	<u>8,233,336</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>7,574,214</u>

# C.H. BAILEY PLC

## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

### 9. Explanation of transition to IFRS (continued)

#### Reconciliation of equity as at 31<sup>st</sup> March 2007 (date of last UK GAAP Financial Statements)

	UK GAAP	Reclassifications	IFRS 1 First time adoption	IAS 17 Leases	IFRS
	£	£	£	£	£
<b>Non-current assets</b>					
Goodwill	672,781	-	-	-	672,781
Property, plant and equipment	7,789,287	-	-	(51,170)	7,738,117
Lease prepayments	-	-	-	51,170	51,170
Deferred tax asset	-	708,444	-	-	708,444
	<u>8,462,068</u>	<u>708,444</u>	<u>-</u>	<u>-</u>	<u>9,170,512</u>
<b>Current assets</b>					
Stocks	180,584	-	-	-	180,584
Trade and other receivables	5,115,348	(708,444)	-	-	4,406,904
Other currents assets 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>-</u>	<u>6,697,150</u>
<b>Current liabilities</b>					
Bank loans and overdrafts	-	(576,186)	-	-	(576,186)
Trade and other payables	(6,157,160)	1,577,823	-	-	(4,579,337)
Current tax liabilities	-	(294,703)	-	-	(294,703)
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>
<b>Net current assets</b>	<u>1,248,434</u>	<u>(843,949)</u>	<u>-</u>	<u>-</u>	<u>404,485</u>
<b>Total assets less current liabilities</b>	<u>9,710,502</u>	<u>(135,505)</u>	<u>-</u>	<u>-</u>	<u>9,574,997</u>
<b>Non-current liabilities</b>					
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	-	-	(659,122)	-	(659,122)
Provisions	(135,505)	135,505	-	-	-
	<u>(1,473,097)</u>	<u>135,505</u>	<u>(659,122)</u>	<u>-</u>	<u>(1,996,714)</u>
<b>Net assets</b>	<u>8,237,405</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>7,578,283</u>
<b>Equity</b>					
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)
Foreign currency translation reserve	-	-	1,257,185	-	1,257,185
Retained earnings	(1,112,051)	-	1,105,235	-	(6,816)
Revaluation reserve	1,668,527	-	(1,668,527)	-	-
Other reserves	716,663	-	(716,663)	-	-
Investment revaluation reserve	636,352	-	(636,352)	-	-
	<u>8,328,526</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>7,669,404</u>
<b>Surplus attributable to parent's shareholders</b>	<u>8,328,526</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>7,669,404</u>
Minority interest	(91,121)	-	-	-	(91,121)
<b>Total equity</b>	<u>8,237,405</u>	<u>-</u>	<u>(659,122)</u>	<u>-</u>	<u>7,578,283</u>

# C.H. BAILEY PLC

## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

### 9. Explanation of transition to IFRS (continued)

#### Reconciliation of profit for the six months ended 30<sup>th</sup> September 2006

	UK GAAP £	Reclassifications £	IAS 39 Fair value adjustments £	IFRS £
<b>Revenue</b>	6,196,338	(684,448)	-	5,511,890
Cost of sales	(4,789,916)	636,559	-	(4,153,357)
<b>Gross Profit</b>	1,406,422	(47,889)	-	1,358,533
Administrative expenses	(1,883,861)	141,208	-	(1,742,653)
Investment activities and other income	80,115	-	(104,611)	(24,496)
<b>Operating loss</b>	(397,324)	93,319	(104,611)	(408,616)
Finance income	5,645	-	-	5,645
Finance costs	(61,757)	-	-	(61,757)
<b>Loss before taxation</b>	(453,436)	93,319	(104,611)	(464,728)
Taxation	22,704	-	-	22,704
Minority interest	(17,124)	-	-	(17,124)
<b>Loss for the period from continuing operations</b>	(447,856)	93,319	(104,611)	(459,148)
Loss for the period from discontinued operations	-	(93,319)	-	(93,319)
<b>Loss for the financial period</b>	(447,856)	-	(104,611)	(552,467)

#### Reconciliation of profit for the year ended 31<sup>st</sup> March 2007

	UK GAAP £	Reclassifications £	IAS 39 Fair value adjustments £	IFRS £
<b>Revenue</b>	12,736,589	(1,715,507)	-	11,021,082
Cost of sales	(10,071,143)	1,889,176	-	(8,181,967)
<b>Gross Profit</b>	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
<b>Operating loss</b>	(552,217)	472,253	(71,502)	(151,466)
Finance income	15,767	-	-	15,767
Finance costs	(120,395)	-	-	(120,395)
<b>Loss before taxation</b>	(656,845)	472,253	(71,502)	(256,094)
Taxation	55,456	-	-	55,456
Minority interest	(18,545)	-	-	(18,545)
<b>Loss for the period from continuing operations</b>	(619,934)	472,253	(71,502)	(219,183)
Loss for the period from discontinued operations	-	(472,253)	-	(472,253)
<b>Loss for the financial period</b>	(619,934)	-	(71,502)	(691,436)

# C.H. BAILEY PLC

## Notes to the Consolidated Interim Financial Statements for the six months ended 30<sup>th</sup> September 2007 (unaudited)

### 9. Explanation of transition to IFRS (continued)

#### 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 current tax liabilities and 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 presentational differences, there are no material adjustments to the previous cash flow statements presented under UK GAAP.

### 10. Distribution of interim financial statements

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