

29 September 2008

Baydonhill Plc

(“Baydonhill” or the “Company”)

Final results for the year ended 31 March 2008

Baydonhill (AIM: BHL), one of the UK's leading foreign exchange specialists, announces its final results for the year ended 31 March 2009.

CHAIRMAN’S AND CHIEF EXECUTIVE OFFICER’S STATEMENT

Introduction

The year under review has been a challenging one for the Company, as the downturn in the market has had significant impact in the private client foreign exchange sector as a whole. Baydonhill plc is fortunate to have a large existing private client base, which has reduced the impact of the current economic conditions on its Private Client Division.

The Company has made significant progress in developing its corporate business. The online payment platform was launched later than anticipated at the end of November 2007. While this delayed the generation of expected revenue from the Corporate Division, the positive response from corporate clients has resulted in steady growth within this division since.

Financial Review

The loss for the financial year was £1,470,000, compared to £878,000 in 2007. The £1,470,000 loss included £1,122,000 of costs incurred in the development of the Corporate Division's foreign exchange business. The losses reported for 2008 and 2007 include adjustments required under FRS 20 (relating to share based payments) amounting to a credit of £82,186 in 2008 (2007: charge £121,537).

Gross turnover for the Company for the year under review was £294 million, an increase from the previous year's figure of £240 million. Gross profit (representing foreign exchange commissions earned) decreased to £2.1 million from £2.2 million in the previous year.

Shareholders' funds at 31 March 2008 amounted to a deficit of £254,000 compared to a surplus of £743,000 at 31 March 2007.

Sector Review

The launch of the Corporate Division, which contributed £67 million to gross turnover, helped to increase the Company's gross turnover to £294 million (2007: £240 million).

The private client foreign exchange sector has experienced another challenging year, resulting in the Private Client Division's turnover dropping from just under £240 million in 2007 to £226 million in 2008. We believe this is a strong performance in comparison to the decline which has been widely reported in the financial press.

Whilst recruitment of a new team for the Corporate Division was completed in April 2007, the implementation of the online payment platform was not completed until November 2007. This delay negatively impacted the forecasted revenue from the Corporate Division for the year. However, since the launch of the platform there has been a positive impact on the Company's revenue as expected. As a result, revenue generated by the Corporate Division in the last quarter to March 2008 exceeded that generated in the previous nine months.

Fundraising

In May 2007, the Ekwiex Group subscribed for £500,000 of ordinary shares and entered into a convertible loan note providing a further £476,000 of funding. In addition, certain Directors subscribed for a further £24,000 of ordinary shares. In August 2007, a further convertible loan note of £700,000 was provided by the Ekwiex Group, intended to provide funds for the period through to September 2008. However, due to the downturn experienced by the Private Client Division and the delay in the launch of the Corporate Division's online trading platform, a further facility of £500,000 was provided on 30 June 2008 by Wallich & Matthes BV, a wholly owned subsidiary of Ekwiex Limited.

People

There have been a number of changes to the Board, as outlined in the Directors' Report. These changes reflect changes to the business profile and the addition of a corporate offering. Our thanks go to Directors who have left during the year.

The staff have responded magnificently to the changes that they have encountered throughout the year and the Board would like to thank them for their continuing dedication and support.

Outlook

The Directors believe that 2009 will continue to be a challenging year for the Private Client Division, but expect significant growth from the Corporate Division. In the first quarter of the fiscal year 2009, revenues increased by 30% over the same period in 2008 whilst costs rose by 4%.

The Company has recently invested in the redesign of its website, aimed at improving the Company's web presence. In addition, further investment will be made to add additional functionality to the online trading platform, aimed at attracting a wider spectrum of corporate clients. The Company also expects to increase head count during the year as a result of the forecasted increase in business.

The core business in the forthcoming year will continue to be the provision of private client foreign exchange services, with the Corporate Division making an increasing contribution. This core business remains a focus for the Company and the sales and marketing strategies are being reviewed to reflect this.

Sir Eric Peacock KCMG
Chairman

Wayne Mitchell
Chief Executive

FURTHER ENQUIRIES

Baydonhill plc
Eric Peacock
Wayne Mitchell

0207 594 0515

John East & Partners Limited
Bidhi Bhoma

0207 628 2200

AUDITED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 £	2007 £
Turnover	2(b)	293,792,374	239,767,768
Cost of sales		(291,647,277)	(237,559,748)
Gross profit		2,145,097	2,208,020
Administrative expenses		(3,737,519)	(3,269,712)
Operating loss	3	(1,592,422)	(1,061,692)
Interest receivable and similar income		177,863	184,541
Interest payable and similar charges		(55,624)	(1,082)
Loss on ordinary activities before taxation		(1,470,183)	(878,233)
Taxation	4	-	-
Loss for the financial year		(1,470,183)	(878,233)
Basic earnings per share	5	(6.29p)	(6.06p)
Fully diluted earnings per share	5	(6.29p)	(6.06p)

AUDITED BALANCE SHEET AS AT 31 MARCH 2008

	Note	£	2008 £	£	2007 £
FIXED ASSETS					
Tangible	6		590,027		343,182
Investments	7		10		10
			590,037		343,192
CURRENT ASSETS					
Debtors due within one year		19,201,359		9,246,673	
Cash at bank and in hand		3,892,481		4,106,425	
		23,093,840		13,353,098	
CREDITORS: amounts falling due within one year	8	(22,801,713)		(12,953,709)	
NET CURRENT ASSETS			292,127		399,389
TOTAL ASSETS LESS CURRENT LIABILITIES			882,164		742,581
CREDITORS: amounts falling due after one year	8		(1,135,732)		-
NET ASSETS			(253,568)		742,581
CAPITAL AND RESERVES					
Called up share capital	11		243,841		144,987
Share premium account	12		3,005,551		2,600,623
Profit and loss account	12		(3,555,398)		(2,003,029)
Shares to be issued	12		52,438		-
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS			(253,568)		742,581

AUDITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	2008	2007
	£	£
Reconciliation of operating loss to net cash flow from operating activities		
Operating loss	(1,592,422)	(1,061,692)
Depreciation of tangible fixed assets	93,404	131,648
Increase in debtors	(9,954,686)	(5,408,283)
Increase in creditors	10,010,174	5,403,513
Share - based (credit) / charge	(82,186)	121,537
Net cash outflow from operating activities	(1,525,716)	(813,277)
CASH FLOW STATEMENT (note 14)		
Net cash outflow from operating activities	(1,525,716)	(813,277)
Returns on investments and servicing of finance	122,239	183,459
Taxation	-	3,697
Capital expenditure	(340,249)	(354,942)
Cash outflow before use of liquid resources and financing	(1,743,726)	(981,063)
Management of liquid resources	-	300,000
Financing - Convertible Loans	1,026,000	-
- Issue of shares	503,782	-
Decrease in cash in the year	(213,944)	(681,063)
Reconciliation of net cash flow to movement in net funds (note 15)		
Decrease in cash in the period	(213,944)	(681,063)
Cash inflow from decrease in liquid resources	-	(300,000)
Convertible loan note	(973,562)	-
Net funds at 1 April 2007	4,106,425	5,087,488
Net funds at 31 March 2008	2,918,919	4,106,425

NOTES TO THE PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2008

1. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2007 and 2008, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the Company's Annual General Meeting. The Auditors have reported on those accounts; their reports were unqualified and did not contain statements under the Companies Act 1985, sections 237(2) or (3).

2. ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. A summary of the more important accounting policies, which have been consistently applied except where noted, is set out below.

(b) Turnover and revenue recognition

Turnover represents:

1. The gross value of foreign exchange currency transactions undertaken by the Company's foreign currency business. Purchases of currency relating to such transactions are treated as cost of sales. Turnover is recognised after receiving the client's authorisation. Where the Company enters into contracts with its clients, it also enters into matched contracts with its bankers.
2. Commissions earned from arranging property finance. Such revenue is recognised when the client has entered into irrevocable arrangements with the loan provider or underwriter.

3. OPERATING LOSS

The operating loss is stated after charging:

	2008	2007
	£	£
Depreciation of tangible fixed assets	93,404	131,648
Operating lease rentals - land and buildings	142,500	142,500
Exceptional item - development of Corporate Foreign Exchange division	1,122,000	270,000

4. TAXATION

	2008	2007
	£	£
a) Analysis for the year		
Current tax:		
UK corporation tax on loss for the year	-	-
Adjustment in respect of previous years	-	-
Total current tax (note 4(b))	-	-
Total deferred tax	-	-
Total tax for the year	-	-
b) Factors affecting tax for year		
Loss on ordinary activities before tax	(1,470,183)	(878,233)
Expected tax @ 30% (2007 : 30%)	(441,055)	(263,470)
Expenses not deductible for tax purposes	34,528	28,179
Depreciation in excess of capital allowances	(37,514)	40,121
Share-based payments not deductible for tax	(24,656)	36,461
Losses arising in the period carried forward	468,697	158,709
Actual tax	-	-

c) Deferred tax

	Tax Losses £	Short term timing differences £	Accelerated capital Allowances £	Potential deferred tax not recognised £	Total Recognised £
At 1 April 2007	345,025	-	59,291	(404,316)	-
For the year	486,546	10,720	(39,600)	(457,666)	-
At 31 March 2008	831,571	10,720	19,691	(861,982)	-

As at 31 March 2008, trading losses of approximately £2,970,000 (2007: £1,404,000) are available to carry forward against future profits of the same trade. These tax losses will reduce the corporation tax charge in future years until they have been utilised. No deferred tax asset in respect of these losses has been recognised as there is currently uncertainty as to the precise timing over which the asset will be recovered.

5. EARNINGS PER SHARE

Both basic earnings per share and diluted earnings per share are based on a loss after tax of £1,470,183 (2007 : £878,233). The basic earnings per share has been calculated on a weighted average of 23,354,859 (2007 : 14,498,705) ordinary shares in issue. Diluted loss and earnings per share is calculated on the same basis as basic loss and earnings per share because the effect of the potential ordinary shares (share options and warrants) reduces the net loss per share and is therefore anti-dilutive.

6. TANGIBLE FIXED ASSETS

	On-line system £	Leasehold improvements £	Office equipment £	Total £
Cost				
At 1 April 2007	244,566	165,358	582,346	992,270
Additions	322,220	-	18,029	340,249
At 31 March 2008	566,786	165,358	600,375	1,332,519
Depreciation				
At 1 April 2007	11,528	165,223	472,337	649,088
Charge for period	30,081	104	63,219	93,404
At 31 March 2008	41,609	165,327	535,556	742,492
Net book amount				
At 31 March 2008	525,177	31	64,819	590,027
At 31 March 2007	233,038	135	110,009	343,182

7. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings	
	2008	2007
	£	£
Cost		
At 1 April 2007 and 31 March 2008	10	10

The Company holds 100% of the ordinary share capital of Baydonhill International Mortgages Limited and FLG Insurance Brokers Limited. The net assets and trade of these subsidiaries were transferred to Baydonhill plc on 31 March 2007 and, since that date, the two companies have remained dormant.

The Company also holds 100% of the ordinary share capital of www.fx4less.com Limited, Boatfinance4less Limited, Currencies4less Limited and FLG Corporate Services Limited, all of which are dormant. All subsidiaries are registered in England and Wales.

The company has taken advantage of section 229(2) of the Companies Act 1985 and not prepared consolidated accounts incorporating the above investments as the Directors' consider their inclusion is not material for the purpose of giving a true and fair view.

8. CREDITORS

	2008	2007
	£	£
Amounts falling due within one year		
Trade creditors	21,947,213	12,163,572
Amounts owed to Group undertakings	588,146	565,795
Other tax and social security	54,151	59,619
Accruals and deferred income	212,203	164,723
	22,801,713	12,953,709
Amounts falling due after one year		
Convertible Loan Note dated 8 May 2007	476,000	-
Convertible Loan Note dated 23 August 2007	550,000	-
Less: Equity element transferred to reserves	(52,438)	-
Net debt element	973,562	-
Amounts due to Group undertakings	162,170	-
	1,135,732	-

In May 2007 the Company entered into a Convertible Loan with the Ekwiex Group in the sum of £476,000, and in August 2007 it entered into a second Convertible Loan with the Ekwiex Group in the sum of £700,000, both at rates of interest based on LIBOR. At 31 March 2008 the first loan had been fully drawn down and the second to the extent of £550,000.

9. FINANCIAL INSTRUMENTS

Treasury activities take place under procedures and policies monitored by the Board. They are designed to minimise the financial risks faced by the Company which primarily arise from interest rate, currency, and liquidity risks and information is given below. As permitted by FRS13 Derivatives and other financial instruments, no further details are set out in respect of short-term debtors and creditors.

Interest rate risks

The Company has financed its operations primarily through both the issue of equity shares and the provision of convertible loans. Floating rate assets comprise cash at bank and the Company receives interest on cash balances at rates linked to the Company's banker's base rate. At the year end, the Company had borrowings as a result of drawdowns from the loan notes amounting to £1,026,000 at rates of interest based on LIBOR. At the year end the Company owed ASPone

Limited, the sum of £416,557 which bears interest at rates based on LIBOR. The Company has no other assets or liabilities that are subject to interest rate fluctuations.

Liquidity risk

The Company's treasury management policies are designed to ensure the continuity of funding. The Company has surplus cash at the year end.

Foreign currency risk

The Company does not have any significant foreign currency exposure as all foreign currency is acquired under matched contracts to fulfil contracts with clients and therefore no further analysis is required under FRS 13.

10. FORWARD DELIVERY CONTRACTS AND MONIES DUE FROM CLIENTS

At the year end, the amount due from clients in respect of open contracts was £18,975,201 (2007: £9,030,733).

At the year end, the Company had committed to purchase currency at fixed rates from its bankers, in respect of clients, amounting to £18,586,041 (2007 : £9,851,306). The fair value of these forward foreign currency exchange contracts at the year end amounted to an additional liability of £41,000 (2007 : £77,000).

11. SHARE CAPITAL

Ordinary shares of 1p each

	Authorised		Allotted, called up and fully paid	
	No.	£	No.	£
At 31 March 2007	50,000,000	500,000	14,498,705	144,987
Increase approved at AGM	25,000,000	250,000		
Issued pursuant to Placing Agreement dated 8 May 2007			9,113,042	91,131
Issued to directors and staff			772,268	7,723
At 31 March 2008	75,000,000	750,000	24,384,015	243,841

At the end of the year the Company had granted the following warrants in respect of Ordinary shares:

	Number of warrants granted	Exercise price	Exercise period
Blue Oar Securities Limited	79,762	23p	4 April 2009
Ekwinox FX Limited	5,552,295	5.75p	31 March 2011
Ekwinox FX Limited	1,780,905	5.75p	31 March 2011
Ekwinox FX Limited	560,000	6.25p	30 April 2010

On 8 May 2007 Ekwinox FX Limited entered into an investment agreement with Baydonhill plc whereby Ekwinox FX Limited acquired 8,695,652 shares at a price of 5.75p. Additionally, the existing warrants and additional subscription rights held by Ekwinox FX Limited were re-priced from 23p per share to 5.75p per share.

On the same date Ekwinox FX Limited entered into a Convertible Loan Agreement with Baydonhill plc whereby it agreed to extend to Baydonhill plc a convertible loan of £476,000 bearing interest at the rate of 3.75% above LIBOR and with conversion rights at a price of 5.75p per share.

In an investment agreement dated 8 May 2007, Wayne Mitchell subscribed for 260,869 shares, Tim Sullivan 86,956 shares and Ian Collins 69,565 shares, all at a price of 5.75p per share. Additionally, and under the terms of their Contracts of Employment, Wayne Mitchell was granted 672,268 shares and another employee 100,000 shares all at par.

On 23 August 2007 Ekwiex FX Limited entered into a Convertible Loan agreement with Baydonhill plc whereby it agreed to extend to Baydonhill plc a Convertible Loan of £700,000 bearing interest at the rate of 4.00% above LIBOR and with conversion rights at a price of 6.00p per share. In addition, the Company granted a warrant to Ekwiex FX Limited to subscribe for 560,000 Ordinary Shares at a subscription price of 6.25p exercisable at any time prior to 30 April 2010.

None of the warrants noted above are deemed to have a material equity component.

12. RESERVES

	2008	
	£	
Share premium account		
At 31 March 2007		2,600,623
Shares issued pursuant to Placing Agreement dated 8 May 2007 at a premium of 4.75p		432,870
Less : costs of placing net of any related tax benefit		(27,942)
At 31 March 2008		3,005,551
	2008	2007
	£	£
Profit and loss account		
At beginning of year	(2,003,029)	(1,246,333)
(Loss) for year	(1,470,183)	(878,233)
Share-based payments	(82,186)	121,537
At end of year	(3,555,398)	(2,003,029)
Shares to be issued		
At 31 March 2007	-	-
Equity element of convertible loans	52,438	-
At 31 March 2008	52,438	-

The 'Shares to be issued' reserve above represents the equity elements of the convertible loans entered into during the year and is calculated in accordance with FRS 25.

13. SHAREHOLDERS' FUNDS

	2008	2007
	£	£
At beginning of year	742,581	1,499,277
(Loss) for the year	(1,470,183)	(878,233)
New shares issued	531,724	-
Costs incurred in respect of Placing	(27,942)	-
Share-based payments	(82,186)	121,537
Shares to be issued	52,438	-
At end of year	(253,568)	742,581

14. GROSS CASH FLOWS

	2008	2007
Returns on investments and servicing of finance		
Interest received	177,863	184,541
Interest paid	(55,624)	(1,082)
	122,239	183,459
Capital expenditure		
Payments to acquire tangible fixed assets	(340,249)	(354,942)
Financing		
Issue of share capital	531,724	-
Expenses paid in connection with share issues	(27,942)	-
	503,782	-
Management of liquid resources		
Cash withdrawn from secured deposit	-	300,000

15. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2007 £	Cash Flows £	Other non-cash movements £	At 31 March 2008 £
Cash at bank and in hand	3,656,425	(213,944)	-	3,442,481
Liquid resources	450,000	-	-	450,000
Debt due after one year	-	(1,026,000)	52,438	(973,562)
Total	4,106,425	(1,239,944)	52,438	2,918,919

16. TRANSACTIONS WITH RELATED PARTIES

During the year the Company entered into contracts to purchase foreign exchange on an arms length basis on behalf of the following related parties. The total value of the transactions during the year were:

Sail Croatia Limited, a company controlled by Mr A. Hughes	£408,208	(2007 : £33,278)
Hidden Croatia Limited, a company controlled by Mr A. Hughes	£645,535	(2007 : £341,160)
Ekwienox Limited, the ultimate parent Company	£2,337,680	(2007 : £1,159,119)
Sarah Collis, a director of the Company	£345,686	(2007 : £167,949)
Arthur Hughes, the ultimate controlling party	£824,168	(2007 : £44,486)
Charles McLeod, a director of the Company	£583,686	(2007 : £527,852)
Ian Collins, a director of the Company (until 11 August 2008)	£53,547	(2007 : £ Nil)
During the year the Company incurred the following costs from related parties:		
Ekwienox Limited, in respect of non-executive fees and insurance recharges	£46,000	(2007 : £51,250)
Ekwienox FX Limited, fees in connection with the 2008 Placing	£30,000	(2007 : £ Nil)
ASPone Limited, a company controlled by Ekwienox Limited, in respect of the development of an online trading system and associated hosting and consultancy charges	£483,959	(2007 : £267,311)
Ekwienox FX Limited, interest payable on convertible loan notes	£29,363	(2007 : £ Nil)
At the end of the year the following amounts were owed to related parties:		
Ekwienox Limited	£333,759	(2007 : £369,132)
ASPone Limited	£416,557	(2007 : £196,664)
Sail Croatia Limited	£ Nil	(2007 : £338)
Hidden Croatia Limited	£27,883	(2007 : £37,625)
Charles McLeod	£62,179	(2007 : £ Nil)
Ekwienox FX Limited	£1,026,000	(2007 : £ Nil)

17. COMMITMENTS AND GUARANTEES

The Company has a facility with its bankers for spot and forward foreign exchange trading up to a maximum contingent risk amount outstanding (as determined by the bank) of £450,000 (2007 : £450,000). The contingent risk at the year end amounted to £41,000 (2007 : £77,000).

The Company had no capital commitments not provided for at the year end (2007 : £166,125 committed to ASPone Limited, a company controlled by Ekwiex Limited). Subsequent to the year end, the company entered into a further capital commitment of £200,000 with ASPone Limited in relation to the final phase of the online trading system.

18. SHARE BASED PAYMENT

At the end of the year the Company had an Enterprise Management Incentive Plan that had granted options in April 2004 and February 2005 and an Unapproved Share Option Scheme that granted options in July and August 2005.

All options are settled by the issue of shares. The principle terms and conditions of the options outstanding at the year end are as follows:

Date of grant	Entitled employees	Number of options	Exercise price	Vesting period from grant	Exercise Period
April 2004	Employees and certain directors	78,333	60p	3 years	April 2007 - April 2014
February 2005	Director	50,000	55p	3 years	February 2008 - February 2015
July 2005	Directors	750,000	28 - 60p	0 - 2 years	July 2005 - July 2017

In addition by virtue of contract of employments entered into in September 2006, the Company undertook to issue to a director and another employee 672,268 and 100,000 ordinary shares of 1p each respectively, at par. These shares were to be issued in four equal instalments in six monthly intervals over a period of two years. Following the investment agreement entered into by Ekwiex FX Limited on 8 May 2007, all of the shares due under this agreement were issued in May 2007. The fair value of these instalments has been valued using the Black Scholes model using the assumptions shown below. The weighted average fair value of these equity instalments was 10p.

	2008 Number of options	2008 Weighted average exercise price	2007 Number of options	2007 Weighted average exercise price
Outstanding at the beginning of the year	2,881,833	45p	3,183,833	44p
Forfeited during the year	(2,003,500)	49p	(302,000)	38p
Outstanding at the year end	878,333	33p	2,881,833	45p
Exercisable at the end of the year	878,333	33p	2,477,779	47p

The options outstanding at 31 March 2008 had exercise prices ranging from 28p to 60p and the weighted average remaining contractual life was 8 years.

The fair value of the options and shares granted have been measured using the Black Scholes valuation model. In arriving at the fair value, each option grant has been valued separately, with the exception of certain options which were issued simultaneously on identical terms which have been aggregated. Volatility has been estimated by reference to the historical volatility in the Company's share price over a period of one year prior to each grant date.

The following table lists the main assumptions used in the models:

Volatility (%)	18.0 - 113.7
Risk-free interest rate (%)	4.22 - 4.86
Expected life of options (years)	10
Expected life of share-based payments (years)	1.25
Weighted average share price - options (price)	40
Weighted average share price - share based payments (pence)	11
Expected dividends	None

The credit recognised for share based payments in respect of lapsed options during the year was £82,186 (2007 : charge £121,537).

19. DIVIDEND

No dividend is proposed for year ended 31 March 2008.

20. COPIES OF THE REPORT & ACCOUNTS

Copies of the Report and Accounts will be posted to shareholders shortly, will be available from the Company's registered office at 160 Brompton Road, Knightsbridge, London SW3 1HW and are available from the Company's website www.baydonhill.com.