

C. H. BAILEY Plc

REPORT AND ACCOUNTS 2002

C. H. BAILEY Plc

Directors	CHRISTOPHER H. BAILEY chairman and managing director T. C. BISHOP Sir W. H. McALPINE CHARLES H. BAILEY
Local Directors	Professor J. M. GANADO (Malta) Dr. A. GALEA (Malta)
Secretary	B. J. WARREN
Auditors	Walter Hunter & Co., Chartered Accountants, 24 Bridge Street, Newport, South Wales NP20 4SF
Principal Bankers	Barclays Bank Plc, 14 Commercial Street, Newport, South Wales NP20 1YG
Solicitors	Linklaters, One Silk Street, London EC2Y 8HQ Goodman Derrick & Co., 9/11 Fulwood Place, Grays Inn, London WC1V 6HQ
Transfer Office	Computershare Investor Services Plc P.O. Box 82 The Pavillions Bridgewater Road Bristol BS99 7NH
Registered Office	Alexandra Docks, Newport, South Wales NP20 2NP
Registered Number	190106

NOTICE OF MEETING

NOTICE is hereby given that the seventy-ninth annual general meeting of C. H. Bailey Plc will be held at the Alexandra Docks, Newport, South Wales, NP20 2NP on Thursday the 17th day of October, 2002, at 11.30 a.m for the following purposes:

As **Ordinary Business**

1. To receive and adopt the report of the directors and the audited financial statements for the year ended 31st March, 2002.
2. To re-appoint the auditors and authorise the directors to determine their remuneration.
3. To re-elect as a director Sir W. H. McAlpine who retires by rotation and being eligible, offers himself for re-election.
4. To transact any other ordinary business of an annual general meeting.

Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, only shareholders entered on the Register at the close of business on 15th October, 2002 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.
16th August 2002

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 inspection from today until the date of the annual general meeting at the Alexandra Docks, Newport, South Wales, and at the meeting, copies of all service contracts of directors not expiring or determinable within one year.

CHAIRMAN'S STATEMENT

The results for the period ended 31st March 2002 show a loss of £3,503,674 (2001: profit £160,373). The group's result has been severely affected by the global stock market crash and currency fluctuations. Where appropriate, full provision has been made for these losses.

I am shocked and very disappointed by this result as your company uses some of the World's best-known financial advisers but even they were unprepared for the happenings at Enron and Worldcom and the subsequent world market crash.

Shiprepairing and Engineering

The shiprepairing and engineering divisions have once again been adversely affected by difficult trading conditions within these sectors. The overcapacity in the engineering market has also impacted upon margins.

The electrical division has continued the trend of previous years and made a contribution to the group, despite operating in a competitive market.

Leisure

St. George's Bay Hotel in Malta is still having unreasonable problems with the authorities but progress is being made through the tireless efforts of our tenacious management to whom we express our thanks.

Trading conditions have remained difficult for the hotel in Oyster Bay, Tanzania. It is expected that finality of our insurance claim in respect of the fire will be reached during the current year. In the meantime, the hotel continues to operate at reduced capacity.

Directors

The Director retiring by rotation is Sir William McAlpine who, being eligible, offers himself for re-election.

Prospects

Even with the poor visibility in global equity and currency markets and general uncertainties, I have every confidence that with the efforts of our loyal staff, the group will weather this present situation. I can also confirm that despite these losses your company is still in a sound financial position.

16th August 2002

Christopher H Bailey
Chairman

REPORT OF THE DIRECTORS

The directors submit their report and accounts for the year ended 31st March 2002.

Principal activities

C. H. Bailey Plc has investments and is the holding company of subsidiary undertakings engaged in many different activities including shiprepairing, engineering, leisure pursuits and operates as business and financial managers. The loss on these various activities which is attributable to the shareholders amounted to £3,503,674 (2001: profit £160,373 as restated).

A review of the group's business, development and prospects can be found in the chairman's statement on page 2.

Dividend

The directors do not recommend the payment of a final dividend in respect of the year ended 31st March 2002 (2001: 0.25p per share).

Changes in fixed assets

(a) Tangible fixed assets

A summary of the changes in tangible fixed assets is given in note 10 to the accounts. Once the developments and the insurance claim in Tanzania, the changes to the property portfolio and the discussions with the authorities in Malta have been finalised, the directors will consider if it is of significance to shareholders, to arrange a valuation update of all the group's properties.

(b) Fixed asset investments

A summary of the changes in fixed asset investments is given in note 11 to the accounts.

Charitable and political contributions

During the year the group made no contributions of a charitable or political nature (2001 : £Nil).

Employment of disabled persons

The group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular abilities.

Where employees are unfortunate enough to become disabled during the course of their employment every practical effort is made to retain their services.

Employee reporting and involvement

The group uses many means to keep employees informed of matters which are of concern to them. These include a sound working relationship with the trade unions and over the years, effective communication methods have been developed by way of in-house conferences and meetings to consider profit and loss accounts, which ensures that employees have the opportunity to be aware of the needs of their company in which many are shareholders.

Directors

The board of directors on 31st March 2002, consisted of C. H. Bailey, T. C. Bishop, Sir W. H. McAlpine and Charles H. Bailey.

The director retiring by rotation is Sir W. H. McAlpine, who, being eligible, offers himself for re-election.

No director had, in the financial year to 31st March 2002, a material interest in any contract to which the company or a subsidiary undertaking was a party.

Brief biographical details of non-executive directors are as follows:

T. C. Bishop is a former managing director of Bristol Channel Ship Repairers Plc.

Sir William H. McAlpine has been a director of Sir Robert McAlpine Limited, Building & Civil Engineering contractors since 1957. He was for several years, until March 1991, a director of T & N Plc. He is a director of The Dart Valley Light Railway Plc and Chairman of Romney Hythe & Dymchurch Railway Plc.

Charles H. Bailey has been involved in the marketing and managing of the various aspects of the group's operations over many years.

Local Directors

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

Dr. Alfred Galea, FHCIMA has been employed for many years in the hotel business in Malta both in general tourism and as advisor to the National Tourist Board of Malta.

C. H. BAILEY Plc

Corporate governance

The directors have applied the principles advocated in the Combined Code, prepared by the Committee on Corporate Governance, and incorporated in the Listing Rules of the Financial Services Authority, as follows:-

- (a) Details of the directors are provided on page 3. Under the company's articles of association, all non-executive directors are required to submit themselves for re-election on rotation and following appointment.
- (b) A committee comprising of the non-executive directors determines where applicable the remuneration of the chairman and chief executive. In framing remuneration policy, full consideration has been given to all matters set out in the Combined Code. The committee aims to ensure that the remuneration package offered recognises the individual executive director's contribution to the group. The remuneration of non-executive directors consists of fees for services in connection with the board. The level of these fees is governed by the company's articles of association. The group does not operate any bonus or share option schemes. Details of each individual director's remuneration is set out in note 7.
- (c) Non-executive directors form the audit committee and review the annual and interim reports in order to ensure that they present a balanced assessment of the company's position and prospects.
- (d) After making enquiries, the directors have a reasonable expectation that the company and group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these accounts.
- (e) The directors are responsible for the group's system of internal financial control. They recognise that the system can provide only reasonable and not absolute assurance against material misstatement or loss. Control is exercised through an organisational structure with clearly defined levels of responsibility and authority and reporting procedures appropriate to a group with a wide range of activities undertaken in several countries. Meetings are held regularly where the performance of each division and company within the group is officially reviewed and discussed. Budgeting disciplines together with risk assessment are dealt with vigorously and any remedial actions necessitated by any divergence between actual performance and budget are taken promptly. There are ongoing processes and procedures for identifying, evaluating and managing the risks faced by the group which accord with the Turnbull Committee guidance on internal control issued in September 1999. The audit committee periodically reviews the effectiveness of the system of internal financial control on behalf of the directors. Taking into account the reporting procedures in place, the board has concluded that there is no present requirement for an internal audit department.
- (f) The local directors have continued to make a useful contribution.
- (g) The company values its relations with shareholders and always welcomes constructive discussions with them, including after the formal business of the annual general meeting has been concluded.
- (h) The board considers that the company complies with the recommendations of the Combined Code in all respects except as follows:-
 - (i) The role of chairman and chief executive are not separated but the board comprises a majority of non-executive directors of experience who represent a source of independent judgement. The senior independent non-executive director is T. C. Bishop.
 - (ii) The non-executive directors are not appointed for specified terms. The board does not believe that this is relevant given the small number of directors and the fact that they retire by rotation. The directors also keep under review the suitable strengthening of the board composition.
 - (iii) The chairman is not required to submit himself for re-election, however, all other directors submit themselves for re-election on rotation.
 - (iv) The recommendation that the board should have the objective of setting executive directors' notice periods at one year or less. The board considers the existing notice period is appropriate.

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Treasury objectives and policies

The group's treasury objectives and policies are as follows:

Liquidity risk: The group's policy regarding liquidity risk is to ensure that it has sufficient facilities to meet foreseeable future needs.

Currency risk: The group's policy is explained on page 10. There are no foreign exchange contracts entered into to provide hedging against transactional exposure. Foreign investments are financed from the group's reserves.

Interest rate risk: The risk to the group is negligible due to the small interest cost currently required for group operations.

Credit risk: The group would like to only enter into arrangements with highly credit rated parties but depending on the business risk benefit ratio, in certain cases, it is the purpose of management to decide what risks should be taken.

Interests in the capital of the group

(a) Directors

The directors had the following interests in the share capital of the company:

		16th August 2002	31st March 2002	31st March 2001
C. H. Bailey Plc				
C. H. Bailey	ordinary shares	18,205,434	18,205,434	18,105,434
	'B' ordinary shares	2,789,500	2,789,500	2,789,500
T. C. Bishop	ordinary shares	8,211	8,211	8,211
Sir William H. McAlpine	ordinary shares	10,000	10,000	10,000
Charles H. Bailey	ordinary shares	492,739	492,739	492,739
	'B' ordinary shares	143,500	143,500	143,500

The numbers shown against C. H. Bailey include the following:

(i) Held as a trustee	ordinary shares	502,180	502,180	502,180
(ii) Family interest	ordinary shares	116,729	116,729	116,729

(b) Substantial shareholdings

The directors were advised in July 1987 that Brodian Ltd. (as nominees for Peter Clowes and Guy Von Cramer) held 15,000,000 ordinary shares and 1,495,000 'B' ordinary shares in the company. In December 1987 and April 1988 these holdings were transferred to Sinjul Nominees Ltd. with no change in the beneficial ownership. In July 1991, Sinjul Nominees transferred these holdings to Messrs. Nigel Hamilton, Alan Harlor, Michael Jordan and Robin Addy again with no change in the beneficial ownership.

The directors have also been advised of the following shareholding:

Mr. P. S. Allen 360,427 'B' ordinary shares

The directors are unaware of any other holding of 3%, or more, at the date of this report.

Suppliers

The group endeavours to settle and agree the terms of payment with suppliers prior to placing business. This ensures that suppliers are aware of the terms of payment in advance. It is the group's policy to pay on agreed terms.

Environmental Policy

It is the group's policy to comply with environmental legislation in all countries in which it operates and to adopt responsible environmental practices. Local management is responsible for complying with the policy.

Close company

As far as the directors are aware the company was not, at the accounting date or the date of this report, a close company within the terms of the Income and Corporation Taxes Act 1988.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for 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.

Auditors

Walter Hunter & Co, are willing to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

Newport
16th August 2002

By order of the Board
B. J. Warren
Secretary

INDEPENDENT AUDITORS' REPORT

To the Members of C. H. Bailey Plc

We have audited the financial statements on pages 7 to 21 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out on page 5. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom auditing standards and the Listing Rules of the Financial Services Authority,

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and group is not disclosed.

We review whether the statement on page 4 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the company or group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report including the corporate governance statement and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st March 2002 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

WALTER HUNTER & CO
Chartered Accountants and
Registered Auditors
NEWPORT, South Wales
16th August 2002

C. H. BAILEY Plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st March 2002

	Notes	2002 £	2001 restated £
Turnover -continuing operations	1	3,042,061	4,099,159
Cost of sales		(2,979,203)	(3,849,145)
Profit on disposal of tangible fixed asset.. ..		—	191,413
Gross profit		62,858	441,427
Administrative expenses... ..		(2,525,662)	(1,067,662)
Trading (loss) -continuing operations		(2,462,804)	(626,235)
Investment activities and other income	2	(1,077,760)	699,067
Operating (loss) profit - continuing operations		(3,540,564)	72,832
Interest receivable	3	75,181	92,705
Interest payable	4	(3,609)	(878)
(Loss) profit on ordinary activities before taxation	5	(3,468,992)	164,659
Taxation	6	(34,673)	(1,316)
(Loss) profit on ordinary activities after taxation		(3,503,665)	163,343
Minority interest - all equity		(9)	(2,970)
(Loss) profit for year.		(3,503,674)	160,373
Dividend	8	—	(149,922)
Retained (loss) profit for year..	18	£ (3,503,674)	£ 10,451
Earnings per share	20	(5.84p) loss	0.27p

The accounting policies and notes on pages 10 to 21 form part of these accounts.

C. H. BAILEY Plc

BALANCE SHEETS
at 31st March 2002

	Notes	Group 2002 £	2001 restated £	Company 2002 £	2001 restated £
Fixed assets					
Tangible assets	10	9,326,808	9,440,169	964,267	965,646
Fixed investments	11	—	—	7,915,266	7,915,266
		<u>9,326,808</u>	<u>9,440,169</u>	<u>8,879,533</u>	<u>8,880,912</u>
Current assets					
Stocks and work in progress	12	72,249	81,399	—	—
Debtors	13	1,410,193	1,890,022	3,442,330	3,329,012
Current investments	14	4,995,858	6,917,621	997,631	1,077,655
Cash at bank and in hand		385,441	941,459	—	312,082
		<u>6,863,741</u>	<u>9,830,501</u>	<u>4,439,961</u>	<u>4,718,749</u>
Creditors: amounts falling due					
within one year	15	<u>2,169,284</u>	<u>2,647,547</u>	<u>6,769,086</u>	<u>5,919,507</u>
Net current assets (liabilities)		<u>4,694,457</u>	<u>7,182,954</u>	<u>(2,329,125)</u>	<u>(1,200,758)</u>
Total assets less current liabilities		<u>14,021,265</u>	<u>16,623,123</u>	<u>6,550,408</u>	<u>7,680,154</u>
Provisions for liabilities and charges... ..	16	812,777	396,834	66,813	66,606
Net assets		<u>£13,208,488</u>	<u>£16,226,289</u>	<u>£6,483,595</u>	<u>£7,613,548</u>
Financed by:					
Capital and reserves					
Called up share capital	17	5,996,873	5,996,873	5,996,873	5,996,873
Reserves	18	<u>7,181,077</u>	<u>10,198,600</u>	<u>486,722</u>	<u>1,616,675</u>
Equity Shareholders' funds	19	13,177,950	16,195,473	6,483,595	7,613,548
Minority interest - all equity		30,538	30,816	—	—
		<u>£13,208,488</u>	<u>£16,226,289</u>	<u>£6,483,595</u>	<u>£7,613,548</u>
Net assets per share	20	22.03p	27.06p	10.81p	12.70p

These financial statements were approved by the board of directors on 16th August 2002

C. H. BAILEY, Director

The accounting policies and notes on pages 10 to 21 form part of these accounts.

C. H. BAILEY Plc

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31st March 2002

	Notes	2002		2001	
		£	£	£	£
Net cash (outflow) from operating activities	22		(990,952)		(665,065)
Return on investments and servicing of finance:					
Interest received		75,181		92,705	
Interest paid		<u>(3,609)</u>		<u>(878)</u>	
Net cash inflow from returns on investments and servicing of finance			71,572		91,827
Taxation			(5,166)		<u>—</u>
Capital expenditure and financial investment:					
Purchase of tangible fixed assets		(371,367)		(782,138)	
Sale of tangible fixed assets		<u>—</u>		<u>309,280</u>	
Net cash (outflow) from capital expenditure and financial investment			<u>(371,367)</u>		<u>(472,858)</u>
Cash (outflow) before use of liquid resources and financing			(1,295,913)		(1,046,096)
Equity dividends paid			(149,922)		<u>—</u>
Management of liquid resources:		()		()	
Purchase of investments		2,224,650		3,624,132	
Sale of investments		2,870,556		4,981,639	
Net decrease (increase), in short term deposits		<u>709,954</u>		<u>383,654</u>	
Net cash inflow from management of liquid resources			1,355,860		973,853
Financing					
(Decrease) in other loans due within one year			()		()
			<u>(134,167)</u>		<u>(137,667)</u>
(Decrease) in cash in the year	23		£ <u>224,142</u>		£ <u>209,910</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31st March 2002

	2002	2001 restated
	£	£
(Loss) profit retained for year	()	
Currency translation differences	3,503,674	10,451
Total recognised (loss) profit for the year	(486,151)	£ 57,820
Prior year adjustment (note 21)	3,017,523	<u>68,271</u>
Total recognised (loss) since last annual report	£ (371,325)	
	<u>2,646,198</u>	

The directors consider that there is no material difference between the depreciation which would have been charged on the original cost of tangible fixed assets compared with that actually charged on revalued amounts. Accordingly no note of historical cost profits and losses has been prepared.

The accounting policies and notes on pages 10 to 21 form part of these accounts.

ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared on bases consistent with the previous period. The group accounts are prepared by consolidating the accounts of the parent undertaking (the company) and its subsidiary undertakings. The major subsidiary undertakings are listed on page 21 and all accounts are for the year ended 31st March 2002.

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Turnover

Turnover is the total amount receivable by the group companies excluding VAT and equivalent taxes in the ordinary course of business for services provided and goods supplied to third party customers.

Work in progress

Work in progress is valued at the lower of cost and net realisable value in the normal course of trading. Cost comprises only labour and materials because of the short term nature of the contracts involved.

Tangible fixed assets

Depreciation of tangible fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the estimated useful life of the asset to the group. It is the group's policy to maintain its properties in a state of good repair to prolong their estimated useful lives. Freehold land is not depreciated. Depreciation of other tangible fixed assets is calculated by the straight line method and the annual rates applicable to the principal categories are:-

Freehold buildings	-	between 1% and 2%
Leasehold buildings	-	over remaining period of lease
Plant and machinery	-	Between 2% and 25%

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use. The value in use is determined from estimated discounted future cash flows. Discount rates used are based on the circumstances of the individual businesses.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account in the financial year to which the payments relate.

Deferred taxation

Deferred tax is recognised on timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are only recognised to the extent that it is likely taxable profits will be available to reverse timing differences. No deferred tax is recognised for the potential tax liability arising from the sale of revalued fixed assets.

Foreign exchange

Assets, liabilities and profit and loss accounts on 31st March 2002 expressed in currencies other than sterling have been converted at the rate of exchange ruling on that date.

Exchange differences on the retranslation of opening net assets at exchange rates ruling at the end of the year are reflected in reserves net of exchange differences arising on related foreign currency borrowings. All other exchange differences are reflected in the profit and loss account.

Pension scheme

The group operates defined contribution pension schemes which cover some of its employees. The assets of the schemes are independent of the group's finances. The schemes are funded wholly by the group and any contributions payable are charged to the profit and loss account in the year to which they relate.

Current asset investments

Current asset investments are included in the accounts by category of investment at the lower of cost and their market value including provision for permanent diminutions in value.

NOTES TO THE ACCOUNTS

1. Segmental information

(a) Classes of business		Sales to third parties £	Operating profit (loss) £	Net interest receivable (payable) £	Profit (loss) on ordinary activities before tax £	Net assets £
Industrial:						
2002	... ..	1,227,626	(41,731)	—	(41,731)	2,013,619
2001	restated	1,693,377	(88,584)	—	(88,584)	1,889,687
Leisure:						
2002	... ..	1,814,435	(1,002,278)	(1,200)	(1,003,478)	6,625,368
2001	restated	2,405,782	(169,633)	5,249	(164,384)	7,219,269
Agents, managers, consultants and investors:						
2002	... ..	—	(2,496,555)	72,772	(2,423,783)	4,569,501
2001	restated	—	331,049	86,578	417,627	7,117,333
Group:						
2002	... ..	3,042,061	(3,540,564)	71,572	(3,468,992)	13,208,488
2001	restated	4,099,159	72,832	91,827	164,659	16,226,289
(b) Geographical segments						
United Kingdom:						
2002	... ..	2,303,939	(564,954)	2,602	(562,352)	3,906,718
2001	restated	3,120,742	(110,842)	9,568	(101,274)	4,313,579
Malta, Tanzania and Rest of the World:						
2002	... ..	738,122	(2,975,610)	68,970	(2,906,640)	9,301,770
2001	restated	978,417	183,674	82,259	265,933	11,912,710
Group:						
2002	... ..	3,042,061	(3,540,564)	71,572	(3,468,992)	13,208,488
2001	restated	4,099,159	72,832	91,827	164,659	16,226,289

C. H. BAILEY Plc

	2002 £	2001 £
2. Investment activities and other income		
Continuing operations:		
Income from current asset investments	168,004	210,777
(Loss) profit on sale of investments... ..	(233,198)	712,774
(Provision against) current asset investments	(1,042,659)	(259,484)
Amount reimbursed by related company (note 15)	30,093	35,000
	<u>£(1,077,760)</u>	<u>£699,067</u>
3. Interest receivable		
Deposit and short term loan interest	<u>£75,181</u>	<u>£92,705</u>
4. Interest payable		
Bank loans and overdrafts	<u>£3,609</u>	<u>£878</u>
5. (Loss) profit on ordinary activities before taxation		
In arriving at the (loss) profit on ordinary activities before taxation, the following amounts have been charged (credited):		
Depreciation	249,128	256,336
Loss (profit) on disposal of tangible fixed assets... ..	138	(191,413)
Administrative expenses:		
Directors' remuneration	201,070	201,960
Auditors' fees - audit services	42,043	43,833
- non-audit services	26,982	31,102
Rental payments under operating leases	27,199	32,267
Exchange losses (gains)	711,405	(347,744)
Legal fees (notes 16 and 24)	<u>542,841</u>	<u>—</u>
The exchange losses have arisen as a result of the US dollar and other currencies falling against sterling.		
6. Taxation		Restated
Current Tax - Foreign	5,166	—
Deferred Tax	29,507	1,316
	<u>£34,673</u>	<u>£1,316</u>
The group has tax losses available from previous accounting periods.		
Deferred tax:		
Origination and reversal of timing differences	15,943	14,716
Movement on deferred tax asset	13,564	(13,400)
	<u>£29,507</u>	<u>£1,316</u>
Factors affecting tax charge for the year:		
Tax on (loss) profit on ordinary activities before tax at 30%	(1,040,698)	49,398
Expenses disallowed	648,017	23,221
Deferred tax	(29,507)	(1,316)
Differences arising on overseas earnings... ..	428,288	(71,006)
Reduced tax on capital sales... ..	(934)	(297)
Current tax	<u>£ 5,166</u>	<u>—</u>

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	2002	2001
7. Directors and employees		
The average number of employees employed by the group (including directors) during the year was as follows:		
Management	12	12
Administration	19	19
Production	<u>75</u>	<u>95</u>
	<u>106</u>	<u>126</u>
Staff costs (including directors) include the following:	£	£
Wages and salaries	1,347,549	1,416,934
Social security costs	110,646	115,320
*Other pension costs	<u>6,358</u>	<u>7,104</u>
	<u>£1,464,553</u>	<u>£1,539,358</u>
*These represent contributions paid by the group to fund defined contribution pension schemes.		
The number of directors accruing retirement benefits under money purchase schemes in respect of qualifying services	<u>2</u>	<u>2</u>
Directors' emoluments were as follows:		
Fees	16,800	12,800
Other emoluments including pension contributions	<u>184,270</u>	<u>189,160</u>
	<u>£201,070</u>	<u>£201,960</u>

	Salary, fees and other amounts paid for provision of directors services		Total emoluments excluding pensions		Pension contributions		Total emoluments including pension contributions	
	£	Benefits £	2002 £	2001 £	2002 £	2001 £	2002 £	2001 £
Christopher H. Bailey (Chairman and highest paid director)	111,191	25,701	136,892	140,830	—	—	136,892	140,830
Mr. Charles Bailey (Director)	49,900	—	49,900	50,775	1,000	1,000	50,900	51,775
Mr. T. C. Bishop (Director)	4,000	1,278	5,278	5,355	—	—	5,278	5,355
Sir W. H. McAlpine (Director)	8,000	—	8,000	4,000	—	—	8,000	4,000
	<u>£173,091</u>	<u>£26,979</u>	<u>£200,070</u>	<u>£200,960</u>	<u>£1,000</u>	<u>£1,000</u>	<u>£201,070</u>	<u>£201,960</u>

The company does not operate a profit share or bonus scheme.

8. Dividend

Final proposed dividend (2001: 0.25p per share)	<u>—</u>	<u>£149,922</u>
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9. Result for the financial year

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company is not presented as part of these financial statements. The retained consolidated loss of £3,503,674 (2001: profit £10,451) includes a retained loss of £1,129,953 (2001: loss £188,622) which is dealt with in the accounts of the company.

10. Tangible fixed assets

Group	Freehold	Leasehold Land and Buildings		Plant and	Total
	Land and Buildings £	Under 50 years £	Over 50 years £	Machinery £	£
At Directors' Valuation 1972	—	157,500	—	—	157,500
At Independent Valuation 1974	937,000	491,037	3,250	—	1,431,287
At Independent Valuation 1978	3,340,843	—	—	—	3,340,843
At Directors' Valuation 1996	—	—	—	63,425	63,425
At cost	<u>1,671,189</u>	<u>67,620</u>	<u>1,710,166</u>	<u>4,590,816</u>	<u>8,039,791</u>
Cost or Valuation 31st March 2001 ...	5,949,032	716,157	1,713,416	4,654,241	13,032,846
Exchange rate adjustments	(62,065)	(49)	(194,026)	(24,853)	(280,993)
Additions	103,953	—	59,116	208,298	371,367
Disposals and deletions	—	—	—	(25,099)	(25,099)
At 31st March 2002	<u>5,990,920</u>	<u>716,108</u>	<u>1,578,506</u>	<u>4,812,587</u>	<u>13,098,121</u>
Depreciation 31st March 2001	45,125	435,755	163,975	2,947,822	3,592,677
Exchange rate adjustments	1,112	—	18,235	26,184	45,531
Charge for year	23,629	16,165	49,060	160,274	249,128
On disposal and deletions	—	—	—	24,961	24,961
At 31st March 2002	<u>67,642</u>	<u>451,920</u>	<u>194,800</u>	<u>3,056,951</u>	<u>3,771,313</u>
Net book values:					
2002	<u>£5,923,278</u>	<u>£264,188</u>	<u>£1,383,706</u>	<u>£1,755,636</u>	<u>£9,326,808</u>
2001	<u>£5,903,907</u>	<u>£280,402</u>	<u>£1,549,441</u>	<u>£1,706,419</u>	<u>£9,440,169</u>
Company					
At Independent Valuation 1974	937,000	—	—	—	937,000
At Directors Valuation 1996	—	—	—	9,200	9,200
At Cost	<u>22,757</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,757</u>
Cost or Valuation 31st March 2001 ...	<u>959,757</u>	<u>—</u>	<u>—</u>	<u>9,200</u>	<u>968,957</u>
At 31st March 2002	959,757	—	—	9,200	968,957
Depreciation 31st March 2001	2,391	—	—	920	3,311
Charge for year	1,195	—	—	184	1,379
At 31st March 2002	<u>3,586</u>	<u>—</u>	<u>—</u>	<u>1,104</u>	<u>4,690</u>
Net book values:					
2002	<u>£956,171</u>	<u>—</u>	<u>—</u>	<u>£8,096</u>	<u>£964,267</u>
2001	<u>£957,366</u>	<u>—</u>	<u>—</u>	<u>£8,280</u>	<u>£965,646</u>

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

In the opinion of the directors unreasonable expense would be incurred in obtaining original cost of other assets revalued many years ago.

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11. Fixed asset investments - company	2002	2001
Unlisted subsidiary undertakings	£	£
At cost or valuation 	£ 7,915,266	£ 7,915,266
12. Stocks and work in progress-group		
Stocks at lower of cost and net realisable value 	42,954	44,481
Work in progress 	29,295	36,918
	£72,249	£81,399

There were no significant differences between the replacement cost and the values disclosed for stock.

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	Group	2001 restated	Company	2001 restated
	2002	2002	2002	2001
	£	£	£	£
13. Debtors				
Amounts falling due within one year:				
Trade debtors	592,620	870,830	—	—
Owed by subsidiary undertakings ...	—	—	2,840,793	2,721,604
Other debtors	87,943	276,935	27,935	22,515
Prepayments and accrued income ...	34,626	33,782	—	—
Life policies	5,409	5,316	5,409	5,316
	<u>720,598</u>	<u>1,186,863</u>	<u>2,874,137</u>	<u>2,749,435</u>
Amounts falling due after more than one year:				
Deferred tax	689,595	703,159	568,193	579,577
	<u>£1,410,193</u>	<u>£1,890,022</u>	<u>£3,442,330</u>	<u>£3,329,012</u>
14. Current asset investments				
Listed on recognised Stock Exchanges	4,851,524	6,556,896	898,598	874,807
Unlisted investments	144,334	360,725	99,033	202,848
	<u>£4,995,858</u>	<u>£6,917,621</u>	<u>£997,631</u>	<u>£1,077,655</u>
Listed-market value	£6,763,748	£7,852,791	£1,120,294	£1,008,100
Unlisted-net asset value	<u>£354,672</u>	<u>£737,976</u>	<u>£99,033</u>	<u>£202,848</u>

At 16th August 2002, the market value of the listed investments disclosed above, as adjusted for the realised proceeds of investments sold in the intervening period amounted to approximately £5,200,000.

15. Creditors				
Amounts falling due within one year:				
Bank overdrafts	378,838	—	134,977	—
Trade creditors	472,344	942,513	100,709	64,096
Due to subsidiary undertakings	—	—	6,482,708	5,624,758
Social Security and other taxes	60,820	60,020	2,047	9,388
Other creditors	70,197	55,536	27,374	32,834
Accruals and deferred income	142,590	260,894	21,271	38,509
Proposed dividend	—	149,922	—	149,922
	<u>1,124,789</u>	<u>1,468,885</u>	<u>6,769,086</u>	<u>5,919,507</u>
Other loans-repayable on demand	1,044,495	1,178,662	—	—
	<u>£2,169,284</u>	<u>£2,647,547</u>	<u>£6,769,086</u>	<u>£5,919,507</u>

Other loans are in respect of a related company, Equity Involvement Trust Limited, whose sole purpose is to act as a trustee. Mr. C. H. Bailey is the shareholder but has no beneficial interest in the assets of the company.

	Deferred tax £	Provisions £	Provisions £	Total £
16. Provisions for liabilities and charges				
Group				
At 31st March 2001 restated	331,834	45,000	20,000	396,834
Charge to profit and loss account	15,943	400,000	—	415,943
At 31st March 2002	<u>£347,777</u>	<u>£445,000</u>	<u>£20,000</u>	<u>£812,777</u>
Company				
At 31st March 2001 restated	1,606	45,000	20,000	66,606
Charge to profit and loss account	207	—	—	207
At 31st March 2002	<u>£1,813</u>	<u>£45,000</u>	<u>£20,000</u>	<u>£66,813</u>

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17. Share capital	2002 £	2001 £
Authorised:		
5,000,000 'B' ordinary shares of 10p each	500,000	500,000
54,968,727 ordinary shares of 10p each	5,496,873	5,496,873
31,274 unclassified shares of 10p each	3,127	3,127
	<u>£6,000,000</u>	<u>£6,000,000</u>
Issued and fully paid:		
5,000,000 'B' ordinary shares of 10p each	500,000	500,000
54,968,727 ordinary shares of 10p each	5,496,873	5,496,873
	<u>£5,996,873</u>	<u>£5,996,873</u>

Holders of 10p 'B' ordinary shares rank pari passu with the holders of 10p ordinary shares in all matters other than in voting rights. Each 'B' ordinary share entitles its holder to one hundred votes and each ordinary share to one vote.

18. Reserves	Revaluation reserve £	Other reserves £	Profit and loss account £	Total £
Group				
At 31st March 2001 restated	2,784,213	175,709	7,238,678	10,198,600
Retained loss for the year	—	—	(3,503,674)	(3,503,674)
Exchange rate adjustments	(10,746)	92,253	404,644	486,151
At 31st March 2002	<u>£2,773,467</u>	<u>£267,962</u>	<u>£4,139,648</u>	<u>£7,181,077</u>
Company				
At 31st March 2001 restated	687,424	—	929,251	1,616,675
Retained loss for the year	—	—	(1,129,953)	(1,129,953)
At 31st March 2002	<u>£687,424</u>	<u>—</u>	<u>£(200,702)</u>	<u>£486,722</u>

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	2002 £	2001 restated £
19. Reconciliation of movements in shareholders' funds		
(Loss) profit retained for year	(3,503,674)	10,451
Currency translation differences	486,151	57,820
Net movements in shareholders' funds	(3,017,523)	68,271
Funds at: 31st March 2001 brought forward	16,195,473	16,127,202
31st March 2002 carried forward	<u>£13,177,950</u>	<u>£16,195,473</u>

20. Earnings and net assets per share

The earnings and net assets per share have been calculated by reference to a total of 59,968,727 ordinary and 'B' ordinary shares of 10p each in issue during 2001 and 2002.

The earnings per share are calculated on the profit on ordinary activities after taxation. There are no share options, convertible equity or debt instruments in issue.

21. Prior year adjustment

FRS19 ("deferred tax") has been adopted in the current year. As a result a prior year adjustment has been made, increasing shareholders' funds by £371,325

The prior year adjustment has changed previously reported results as follows:

	2001 Reported £	Prior year adjustment £	2001 restated £
Profit and loss account:			
Profit on ordinary activities before taxation	164,659	—	164,659
Taxation	—	(1,316)	(1,316)
Profit on ordinary activities after taxation	164,659	(1,316)	163,343
Minority interest - all equity	(2,970)	—	(2,970)
Profit for year	161,689	(1,316)	160,373
Dividend	(149,922)	—	(149,922)
Retained profit for year	<u>£11,767</u>	<u>£ (1,316)</u>	<u>£10,451</u>
Balance sheet:			
Debtors - deferred tax	—	703,159	703,159
Provisions for liabilities and charges - deferred tax	—	(331,834)	(331,834)
		<u>£371,325</u>	

22. Reconciliation of operating (loss) profit to net cash (outflow) from operating activities

	2002 £	2001 £
Operating (loss) profit	(3,540,564)	72,832
Non cash items:		
Depreciation	249,128	256,336
Loss (profit) on sale of tangible fixed assets	138	(191,413)
Loss (profit) on sale of investments	233,198	(712,774)
Provision against cost of investments	1,042,659	259,484
Exchange rate adjustments	722,373	(218,301)
Changes in minority interests	(287)	(7,567)
Movements in working capital:		
Decrease (increase) in stocks and work in progress	9,150	(6,120)
Decrease (increase) in debtors	466,265	(392,126)
	()	
(Decrease) increase in creditors	(173,012)	(274,584)
Net cash (outflow) from operating activities	<u>£ 990,952</u>	<u>£ 665,065</u>

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23. Analysis of the balance of cash and cash equivalents as shown in the Balance Sheet

	2001 £	Cash flow £	Exchange differences £	2002 £
Cash and bank overdrafts	(90,281)	(224,142)	(1,678)	(316,101)
Liquid resources	<u>1,031,740</u>	<u>(709,954)</u>	<u>918</u>	<u>322,704</u>
	941,459	(934,096)	(760)	6,603
Other loans due within one year ...	(1,178,662)	<u>134,167</u>	—	(1,044,495)
Net funds/(debt)	<u>£ (237,203)</u>	<u>£ (799,929)</u>	<u>£ (760)</u>	<u>£ (1,037,892)</u>

Liquid resources comprise short-term bank and money market deposits. Cash and liquid resources comprise cash at bank and in hand in the group balance sheet and bank overdrafts (note 15).

24. Contingencies and capital commitments

- (a) A cross guarantee and debenture given to Barclays Bank Plc by the company and certain of the U.K. subsidiary undertakings to secure:
- (i) borrowings by group companies. These borrowings at 31st March 2002 amounted to £208,191 (2001:£Nil).
 - (ii) guarantees of £3,838 (2001: £3,866) given by the bank in respect of a subsidiary undertaking, which has a charge not exceeding £38,383 on certain of its properties.
- (b) The directors are of the opinion that the calculation of the capital gains tax which would become payable under present legislation in the event of future disposals of tangible fixed assets at the valuation stated in note 10 would serve no useful purpose.
- (c) The group is pursuing an insurance claim which is expected to compensate for the replacement of assets affected by the fire at the group's hotel in Tanzania. The claim has been referred to arbitration and the directors have taken out necessary legal action to represent their claim against the insurers.
- (d) Capital commitments in respect of contracts placed amounted to £Nil (2001 : £Nil).

25. Obligations under operating leases

Annual commitments under operating leases on land and buildings are under agreements expiring:

	2002 £	2001 £
within one year	841	628
after five years	<u>26,358</u>	<u>25,577</u>
	<u>£27,199</u>	<u>£26,205</u>

26. Related party transactions

Related party transactions are disclosed in notes 2 and 15.

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27. Currency and interest rate exposure of financial assets and liabilities

The currency and interest rate exposure of the financial assets and liabilities of the group was:-

					2002 £	2001 restated £
Short-term deposits	...	...	...	...	322,704	1,031,740
Cash at bank and in hand	...	...	...	...	<u>(316,101)</u>	<u>(90,281)</u>
					6,603	941,459
Other loans repayable on demand	...	...			<u>(1,044,495)</u>	<u>(1,178,662)</u>
Net borrowings	...	...	...	...	<u>(1,037,892)</u>	<u>(237,203)</u>
Current asset investments	...	...	...	...	4,995,858	6,917,621
Other net operating assets	...	...	...	...	9,250,522	<u>9,545,871</u>
Total net assets	...	...	...	...	<u>£13,208,488</u>	<u>£16,226,289</u>
Net borrowings	Dollar	...			325,603	645,162
	Sterling	...			<u>(1,328,471)</u>	<u>(905,822)</u>
	Other	...			<u>(35,024)</u>	<u>23,457</u>
					<u>£(1,037,892)</u>	<u>£(237,203)</u>
Current assets investments	Dollar	...			3,333,776	5,440,628
	Sterling	...			1,502,517	1,222,340
	Other	...			<u>159,565</u>	<u>254,653</u>
					<u>£4,995,858</u>	<u>£6,917,621</u>

As permitted by FRS13, short-term debtors and creditors have been excluded from the analysis of net borrowings.

Bank borrowings are at floating interest based on the relevant LIBOR equivalent. At 31st March 2002 the group had £385,000 (2001: £338,650) of committed facilities of which £291,888 (2001: £Nil) was utilised. The limit expires after more than two years.

28. Fair value of financial instruments

Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction excluding accrued interest.

For borrowings not at fixed rates of interest it is assumed that the carrying amount is equal to the fair value and accordingly, the group believes that there is no material difference between the carrying amount and the fair value of its financial instruments (cash at bank or borrowings).

MAJOR SUBSIDIARY UNDERTAKINGS

					Percentage of ordinary share capital held	Principal activities
Industrial division:						
P. & D. Electrical Services Ltd.	...	...	...		100%	Electrical contractors
Specialist Heavy Engineers Ltd.	...	...	...		100%	Heavy engineering and shiprepairing
Leisure:						
Bay Travel Ltd.	...	...	...	...	100%	Travel agency
Dragon Yachts (World Wide) Ltd.	...	...	...		100%	Yacht chartering
St. George's Bay Hotel Ltd. (Malta)	...	...	...		99%	Hotel operating
Libwelsh Ltd....	...	...	...	...	100%	Asset owning and hiring
Cordura Ltd. (Tanzania)	...	...	...	...	100%	Hotel and Safari camps operating
Other activities:						
Industrial Investment Corporation Ltd. (Bermuda) and subsidiary undertakings	...	...	...		100%	Agents, managers, consultants and investors

All companies are incorporated in England and operate in the U.K. except where indicated above.

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5 YEAR STATEMENT

	Restated				
	1998	1999	2000	2001	2002
	£'000	£'000	£'000	£'000	£'000
Turnover	<u>3,854</u>	<u>3,022</u>	<u>3,349</u>	<u>4,099</u>	<u>3,042</u>
Operating profit (loss)	() 425	409	() 357	73	() 3,541
Net interest received	(121)	76	(92)	92	(72)
Profit (loss), before taxation	<u>304</u>	<u>485</u>	<u>265</u>	<u>165</u>	<u>3,469</u>
Taxation	()		()	2	(35)
Profit (loss) after taxation	<u>304</u>	<u>485</u>	<u>265</u>	<u>163</u>	<u>3,504</u>
Minority interests	(1)	1	(1)	3	()
... ..	<u>305</u>	<u>(484)</u>	<u>266</u>	<u>(160)</u>	<u>3,504</u>
Dividends	()	<u>150</u>	()	<u>150</u>	()
Profit (loss) retained	305	334	266	10	3,504
Fixed assets	8,266	8,888	8,775	9,440	9,327
Net current assets	() <u>8,152</u>	() <u>7,704</u>	() <u>7,786</u>	() <u>7,183</u>	() <u>4,694</u>
Non current liabilities	<u>677</u>	<u>398</u>	<u>398</u>	<u>397</u>	<u>813</u>
Net assets	() 15,741	() 16,194	() 16,163	() 16,226	() 13,208
Earnings per share	0.51p	0.81p	0.44p	0.27p	5.84p
Net assets per share	26.25p	27.00p	26.95p	27.06p	22.03p

