

**C. H. BAILEY Plc**

**REPORT AND ACCOUNTS 2004**

# C. H. BAILEY Plc

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<b>Directors</b>	CHARLES H. BAILEY chairman and managing director MRS S. A. BAILEY T. C. BISHOP Sir W. H. McALPINE
<b>Local Directors</b>	Professor J. M. GANADO (Malta) Dr. A. GALEA (Malta)
<b>Secretary</b>	B. J. WARREN
<b>Auditors</b>	Walter Hunter & Co., Chartered Accountants, 24 Bridge Street, Newport, South Wales NP20 4SF
<b>Principal Bankers</b>	Barclays Bank Plc, 14 Commercial Street, Newport, South Wales NP20 1YG
<b>Legal Advisors</b>	Bevan Ashford Alpha Tower, 26 Suffolk Street, Birmingham, B1 1TT
<b>Financial Advisors and Brokers</b>	Arden Partners Ltd Nicholas House, 3 Laurence Pountney Hill, London, EC4R 0EU
<b>Transfer Office</b>	Computershare Investor Services Plc P.O. Box 82, The Pavillions, Bridgewater Road, Bristol BS99 7NH
<b>Registered Office</b>	Alexandra Docks, Newport, South Wales NP20 2NP
<b>Registered Number</b>	190106
<b>Company Website</b>	<a href="http://www.CHBaileyplc.co.uk">www.CHBaileyplc.co.uk</a>

## CHAIRMAN'S STATEMENT

The results for the year ended 31st March 2004 show turnover for the Group has increased by some 37% on the previous year and losses before tax have been reduced to £1,235,062 (2003: £2,658,610). This has largely been achieved through the strategies put in place by the Group, and the Directors believe that this positive trend will continue. These results have also been adversely affected by substantial exchange losses.

### Ship repairing & Engineering

For the year under review, sales for the ship repairing and engineering division has seen a marked increase on previous years. For the current year, the ship repairing sales and forward order book are not encouraging but the engineering division continues to show signs of growth.

In April 2004, we acquired the Midway Group, from the Receiver. Midway is a light precision engineering group based in Caerphilly. This purchase has strengthened our existing market position, with increased CNC machining capacity, increased sales and an expanded client base.

Your electrical division has strengthened its management and workforce, which has resulted in increased sales and overheads for the year under review. We have seen a noticeable increase in sales at the beginning of the current year and the continued growth is expected.

### Travel & Leisure

Bay Travel has maintained a breakeven situation but, with reduced commissions and the internet affecting sales, we are looking for different avenues that will allow your Company to maintain its position within the market place.

Your hotel in Malta has had a profitable year. We have extended our main summer contract for a further 5 years and discussions are being held for long term winter and shoulder month accommodation contracts. Malta's profile has increased with entry to the EU, which will hopefully lead to the upgrading of the tourist infrastructure and, consequently, the opening up of new markets.

Tanzania has seen an increase in tourist arrivals but the local currency has devalued, which is reflected within the accounts. Redevelopment of the safari camps is nearly complete and immediate benefits are being seen. The Oyster Bay Hotel shops are maintaining high occupancy and we hope the redevelopment of the hotel will start shortly.

The Welsh Liberty is for sale and our yacht agents have placed advertisements, which have led to a number of enquiries that are now being evaluated.

### Property & Investments

As we announced recently, the Company has received an offer, subject to contract, from Quada (Dockside) Ltd for the purchase of the Bute Dry Dock. The Company is assisting Quada with their enquiries in relation to the property and negotiations concerning the terms and timing of the potential transaction are progressing.

The period in question has seen growth in the group's investment portfolio, however the weakness of the US dollar has meant these gains have been moderated. While we cannot comment on future currency fluctuations in this financial year, continued growth is expected.

### AIM & Directors

Following a review of the group, the Directors have concluded that the Alternative Investment Market of the London Stock Exchange is a more appropriate market for a company of our size. The Directors have therefore appointed Arden Partners Limited and Bevan Ashford to advise on the transfer of the company's shares from the Official List to the Alternative Investment Market, as soon as practicable.

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

On a personal note, I would like to thank the employees, shareholders, directors and my family for their continued support and willingness to adapt to the changes that have been implemented. I am also proud to announce that Franco Galea, our operations director in Malta, has recently become the island's newest MP and we congratulate him, his father and family and thank them for their many years of excellent service.

Charles H. Bailey, Chairman, 9th July 2004.  
[www.CHBaileyplc.co.uk](http://www.CHBaileyplc.co.uk)

## REPORT OF THE DIRECTORS

The directors submit their report and accounts for the year ended 31st March 2004.

### **Principal activities**

C. H. Bailey Plc has investments and is the holding company of subsidiary undertakings engaged in many different activities including shiprepairing, engineering and leisure pursuits.

The loss on these various activities which is attributable to the shareholders amounted to £1,619,498 (2003: loss £2,461,788).

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 2004 (2003:£Nil).

### **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.

#### **(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 (2003 : £Nil).

### **Employees**

The group provides equal recruitment and other opportunities for all employees, regardless of sex, religion or race. The group also gives 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 2004, consisted of Charles H. Bailey, Mrs S. A. Bailey, T. C. Bishop and Sir W. H. McAlpine.

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

No director had, in the financial year to 31st March 2004, a material interest in any contract to which the company or a subsidiary undertaking was a party.

Charles H. Bailey and Mrs S. A. Bailey are executive directors. 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.

### **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

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## 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:-

- 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.
- The directors' remuneration report is set out on page 6.
- All the non-executive directors form the audit committee. The audit committee meets several times a year and reviews the annual and interim reports in order to ensure that they present a balanced assessment of the company's position and prospects and oversees the relationship with the external auditors.
- 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.
- 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. 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.
- The local directors have continued to make a useful contribution.
- The company values its relations with shareholders and always welcomes constructive discussions with them. The company uses the annual general meeting to communicate with shareholders and encourages their participation.
- 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. The directors keep under review the balance of executive and non-executive directors and strengthening the board composition.
  - (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.
  - (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.
  - (v) There is no nomination committee. Due to the size of the board it is not considered appropriate to have a nomination committee at this time.

# C. H. BAILEY Plc

## 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 11. 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 reviewed on a regular basis.

**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:

		9th July 2004	31st March 2004	31st March 2003
Charles H. Bailey	ordinary shares	492,739	492,739	492,739
	'B' ordinary shares	143,500	143,500	143,500
Mrs S. A. Bailey	ordinary shares	18,205,434	18,205,434	18,205,434
	'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

### (b) Substantial shareholdings

The directors have been advised of the following shareholdings:

P. S. Allen	'B' ordinary shares	360,427	360,427	360,427
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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. On the 7th July 2004, these holdings were transferred to Messrs Nigel Hamilton and Michael Jordan again with no change in the beneficial ownership.

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 and social policy

It is the group's policy to comply with relevant legislation in all countries in which it operates and to adopt responsible environmental and social practices.

## 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 the system of internal controls, safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## 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, South Wales  
9th July 2004

By order of the board  
B. J. Warren  
Secretary

## DIRECTORS' REMUNERATION REPORT

This report has been prepared to comply with the Directors' Remuneration Report Regulations 2002 (the 'regulations'). In accordance with schedule 7a of the Companies Act 1985 any information which has been audited is clearly distinguished.

### The remuneration committee

The committee comprises the following non-executive directors:-

T. C. Bishop

Sir W. H. McAlpine

In accordance with the best practice recommendations of the Combined Code, the committee's members are all independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The committee determines where applicable the remuneration of the chief executive. In framing remuneration policy, full consideration has been given to all matters set out in the Combined Code.

### Remuneration policy and practice

The remuneration policy is to ensure that the remuneration package offered recognises the individual executive director's contribution to the group and is sufficient to retain and attract the relevant calibre of management. The group does not operate any bonus or share option schemes, however, the remuneration of executive directors is reviewed annually by the remuneration committee, who consider individual experience, responsibilities and performance. 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.

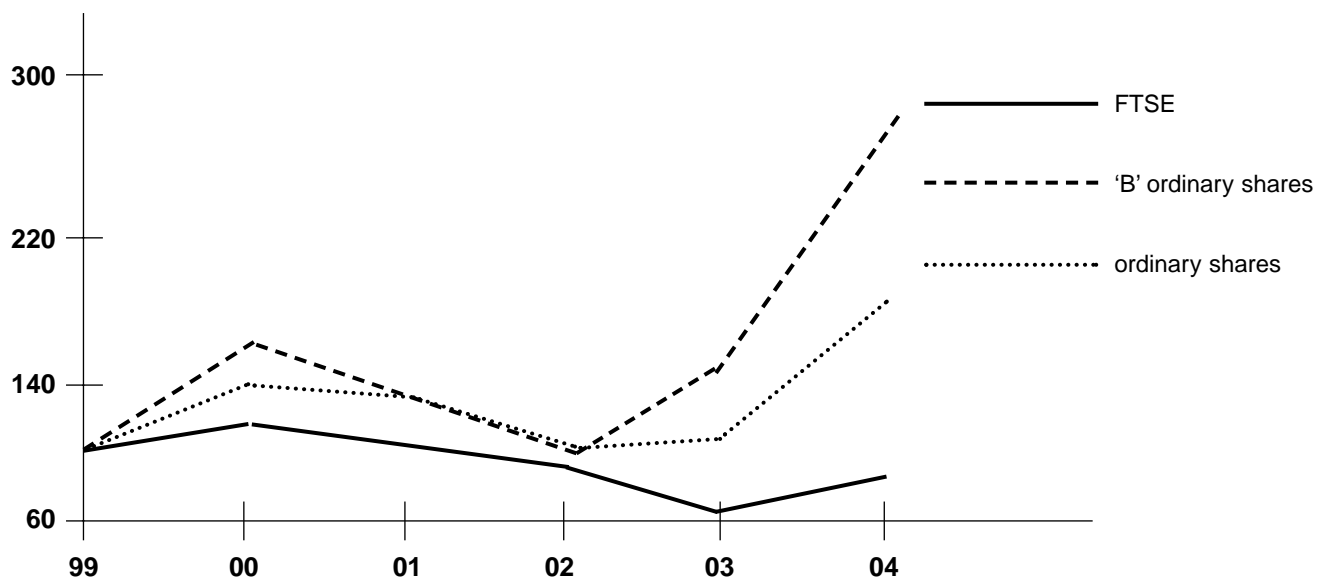
### Directors' remuneration

Details of the directors' remuneration is disclosed in note 7.

This information has been audited.

### Performance graph

In line with the regulations, the following graph compares the performance of the company's ordinary shares for the past five years against the FTSE all share index.



By order of the board  
B. J. Warren  
Secretary

Newport, South Wales  
9th July 2004

## INDEPENDENT AUDITORS' REPORT

### To the Members of C. H. Bailey Plc

We have audited the financial statements on pages 8 to 22 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 11. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company or the company's members as a body, for our audit work, for this report or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the annual report and the directors' remuneration report. As described on page 5 this includes preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Accounting Practices Board the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' 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 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 report of the directors and the other information contained in the annual report including the corporate governance statement and the unaudited part of the directors' remuneration report 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 and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company or 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 and the part of the directors' remuneration report described as having been audited 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 and the part of the directors' remuneration report described as having been audited.

#### **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 2004 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- Those parts of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st March 2004

	Notes	Continuing Operations £	Discontinued Operations £	2004 £	Continuing Operations £	Discontinued Operations £	2003 £
<b>Turnover</b>	1	4,633,070	—	4,633,070	3,376,074	—	3,376,074
Cost of sales		(4,290,217)	( 74,010 )	(4,364,227 )	(3,356,004 )	(63,726 )	(3,419,730 )
Impairment to fixed asset	10	—	(100,968 )	(100,968 )	—	(973,196 )	(973,196 )
<b>Gross profit (loss)</b>		342,853	(174,978 )	167,875	20,070	(1,036,922 )	(1,016,852 )
Administrative expenses		(2,074,908 )	—	(2,074,908 )	(2,198,422 )	(16,669 )	(2,215,091 )
<b>Trading (loss)</b>		(1,732,055 )	(174,978 )	(1,907,033 )	(2,178,352 )	(1,053,591 )	(3,231,943 )
Investment activities and other income	2	754,130	—	754,130	610,195	—	610,195
<b>Operating (loss)</b>		<u>£( 977,925 )</u>	<u>£(174,978 )</u>	<u>(1,152,903 )</u>	<u>£(1,568,157 )</u>	<u>£(1,053,591 )</u>	<u>(2,621,748 )</u>
Interest receivable	3			25,752			37,754
Interest payable	4			(107,911)			(74,616 )
<b>(Loss) on ordinary activities before taxation</b>	5			(1,235,062 )			(2,658,610 )
Taxation	6			(384,866)			194,865
<b>(Loss) on ordinary activities after taxation</b>				(1,619,928 )			(2,463,745 )
Minority interest - all equity				430			1,957
<b>(Loss) for year</b>				(1,619,498 )			(2,461,788 )
<b>Dividend</b>	8			—			—
<b>Retained (loss) for year</b>	19			<u>£(1,619,498 )</u>			<u>£(2,461,788 )</u>
<b>Earnings per share</b>	21			(2.70p) Loss			(4.11p) Loss

The accounting policies and notes on pages 11 to 22 form part of these accounts.

C. H. BAILEY Plc

**BALANCE SHEETS**  
at 31st March 2004

	Notes	Group		Company	
		2004 £	2003 £	2004 £	2003 £
<b>Fixed assets</b>					
Tangible assets	10	8,280,231	8,660,254	960,249	962,888
Fixed investments	11	—	—	7,915,266	7,915,266
		<u>8,280,231</u>	<u>8,660,254</u>	<u>8,875,515</u>	<u>8,878,154</u>
<b>Current assets</b>					
Stock and work in progress	12	109,258	79,133	—	—
Debtors	13	1,356,298	1,517,453	2,192,404	2,654,482
Current investments	14	4,031,017	3,996,727	920,772	798,661
Cash at bank and in hand		561,715	1,074,245	5,622	5,810
		<u>6,058,288</u>	<u>6,667,558</u>	<u>3,118,798</u>	<u>3,458,953</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>3,733,421</u>	<u>3,056,654</u>	<u>4,277,665</u>	<u>6,786,623</u>
<b>Net current assets (liabilities)</b>		<u>2,324,867</u>	<u>3,610,904</u>	<u>(1,158,867)</u>	<u>(3,327,670)</u>
<b>Total assets less current liabilities</b>		10,605,098	12,271,158	7,716,648	5,550,484
<b>Creditors: amounts falling due after more than one year</b>	16	393,756	240,291	—	—
Provision for liabilities and charges	17	50,000	516,489	50,000	111,553
<b>Net assets</b>		<u>£10,161,342</u>	<u>£11,514,378</u>	<u>£7,666,648</u>	<u>£5,438,931</u>
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Called up share capital	18	5,996,873	5,996,873	5,996,873	5,996,873
Reserves	19	4,130,610	5,485,711	1,669,775	(557,942)
Equity Shareholders' funds	20	10,127,483	11,482,584	7,666,648	5,438,931
Minority interest - all equity		33,859	31,794	—	—
		<u>£10,161,342</u>	<u>£11,514,378</u>	<u>£7,666,648</u>	<u>£5,438,931</u>
<b>Net assets per share</b>	21	16.94p	19.20p	12.78p	9.07p

These financial statements were approved by the board of directors on 9th July 2004

CHARLES H. BAILEY, Director

The accounting policies and notes on pages 11 to 22 form part of these accounts.

C. H. BAILEY Plc

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31st March 2004

	Notes	2004		2003	
		£	£	£	£
<b>Net cash (outflow) from operating activities</b>	22		(908,655)		(173,316)
<b>Return on investments and servicing of finance:</b>					
Interest received		25,752		37,754	
Interest paid		(107,911)		(74,616)	
Net cash (outflow) from returns on investments and servicing of finance			(82,159)		(36,862)
<b>Taxation</b>			(5,068)		(5,303)
<b>Capital expenditure and financial investment:</b>					
Purchase of tangible fixed assets		(371,715)		(524,378)	
Sale of tangible fixed assets		—		3,290	
Net cash (outflow) from capital expenditure and financial investment			(371,715)		(521,088)
Cash (outflow) before use of liquid resources and financing			(1,367,597)		(736,569)
<b>Equity dividends paid</b>			—		—
<b>Management of liquid resources:</b>					
Purchase of investments		(3,438,531)		(1,615,525)	
Sale of investments		3,740,195		2,466,067	
Net (increase) decrease in short term deposits		(485,032)		279,790	
Net cash (outflow) inflow from management of liquid resources			(183,368)		1,130,332
<b>Financing</b>					
(Decrease) in other loans due within one year		(96,121)		(60,362)	
Increase in bank loans due after more than one year		160,877		240,291	
Net cash inflow from financing			64,756		179,929
<b>(Decrease) increase in cash in the year</b>	23		£ (1,486,209)		£ 573,692

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31st March 2004

	2004	2003
	£	£
(Loss) retained for year	(1,619,498)	(2,461,788)
Exchange rate adjustment	264,397	766,422
Total recognised (loss) since last annual report	£ (1,355,101)	£ (1,695,366)

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 11 to 22 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 22 and all accounts are for the year ended 31st March 2004.

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.

### **Stock and work in progress**

Stock and 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.

### **Revaluation of fixed assets**

On adoption of FRS 15 the group decided that no further revaluations would be undertaken. Transfers are made from the revaluation reserve to the profit and loss reserve to amortise the revaluation surplus over the useful life of the asset.

### **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 2004 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 at the lower of cost and market value.

## NOTES TO THE ACCOUNTS

### 1. Segmental information

<b>Classes of business</b>	Turnover £	Operating (loss) continuing operations £	Operating (loss) discontinued operations £	Net assets £
Industrial:				
2004	2,133,818	(176,816)	—	1,075,177
2003	1,495,170	(145,888)	—	1,943,557
Leisure:				
2004	2,462,252	( 393,946)	( 174,978 )	6,109,964
2003	1,880,904	( 393,301)	( 1,053,591)	6,068,685
Agents, managers, consultants and investors:				
2004	37,000	( 407,163)	—	2,976,201
2003	—	( 1,028,968)	—	3,502,136
Group:				
2004	4,633,070	( 977,925)	( 174,978 )	10,161,342
2003	3,376,074	( 1,568,157)	( 1,053,591)	11,514,378
<b>Geographical segments</b>				
United Kingdom:				
2004	3,883,739	(632,886)	( 174,978 )	1,594,382
2003	2,809,362	( 237,612)	( 1,053,591)	2,187,742
Malta, Tanzania and Rest of the World:				
2004	749,331	(345,039)	—	8,566,960
2003	566,712	( 1,330,545)	—	9,326,636
Group:				
2004	4,633,070	(977,925)	( 174,978 )	10,161,342
2003	3,376,074	( 1,568,157)	( 1,053,591)	11,514,378

## C. H. BAILEY Plc

	2004 £	2003 £
<b>2. Investment activities and other income</b>		
Income from current asset investments	418,176	226,585
Profit (loss) on sale of investments	90,069	(527,861)
Provision on current asset investments	245,885	379,272
Insurance claims	—	532,199
	<u>£ 754,130</u>	<u>£ 610,195</u>
<b>3. Interest receivable</b>		
Short term bank and money made deposits	<u>£25,752</u>	<u>£37,754</u>
<b>4. Interest payable</b>		
Bank loans and overdrafts	<u>£107,911</u>	<u>£74,616</u>
<b>5. (Loss) on ordinary activities before taxation</b>		
In arriving at the (loss) on ordinary activities before taxation, the following amounts have been charged:		
Depreciation continuing operations	192,713	204,828
Depreciation discontinued operations	65,610	63,726
Loss on disposal of tangible fixed assets	1,290	980
Administrative expenses:		
Directors' remuneration (note 7)	99,395	131,092
Auditors' fees - audit services	46,703	44,024
- non-audit services	32,589	29,015
Rental payments under operating leases (note 26)	31,474	27,103
Exchange losses	<u>684,125</u>	<u>659,885</u>
<b>6. Taxation</b>		
Current tax - foreign	5,068	5,303
Deferred tax charge (credit)	379,798	(200,168)
	<u>£ 384,866</u>	<u>£(194,865)</u>
The group has tax losses available from previous accounting periods.		
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(94,589)	(253,188)
Movement on deferred tax asset	474,387	53,020
	<u>£ 379,798</u>	<u>£(200,168)</u>
<b>Factors affecting tax charge for the year:</b>		
Tax on (loss) on ordinary activities before tax at 30%	(370,519)	(797,583)
Expenses disallowed	4,542	12,593
Deferred tax	(379,798)	200,168
Differences arising on overseas earnings	722,487	432,408
Differences arising on capital sales and investment income	(33,114)	84,045
Deferred tax on losses not recoverable	61,470	73,672
Current tax	<u>£ 5,068</u>	<u>£5,303</u>

## C. H. BAILEY Plc

	2004	2003
<b>7. Directors and employees</b>		
The average number of employees of the group (including directors) was as follows:		
Management	13	11
Administration	21	19
Production	<u>79</u>	<u>70</u>
	<u>113</u>	<u>100</u>
The aggregate remuneration (including directors) was as follows:		
	£	£
Wages and salaries	1,540,301	1,414,369
Social security costs	134,517	117,918
Pensions (defined contribution schemes)	<u>8,416</u>	<u>3,853</u>
	<u>£1,683,234</u>	<u>£1,536,140</u>
The number of directors accruing retirement benefits under money purchase schemes in respect of qualifying services	<u>1</u>	<u>1</u>
Directors' emoluments were as follows:		
Fees	18,200	16,315
Other emoluments including pension contributions	<u>81,195</u>	<u>114,777</u>
	<u>£99,395</u>	<u>£131,092</u>

	Salary and fees £	Benefits £	Total emoluments excluding pensions		Pension contributions		Total emoluments including pension contributions	
			2004 £	2003 £	2004 £	2003 £	2004 £	2003 £
Mr C. H. Bailey (deceased)	—	—	—	53,236	—	—	—	53,236
Mr. Charles H. Bailey (Director)	77,000	723	77,723	64,587	1,000	—	78,723	64,587
Mrs S. A. Bailey (Director)	9,335	1,973	11,308	—	—	—	11,308	—
Mr. T. C. Bishop (Director)	4,000	1,364	5,364	7,269	—	—	5,364	7,269
Sir W. H. McAlpine (Director)	4,000	—	4,000	6,000	—	—	4,000	6,000
	<u>£94,335</u>	<u>£4,060</u>	<u>£98,395</u>	<u>£131,092</u>	<u>£1,000</u>	<u>—</u>	<u>£99,395</u>	<u>£131,092</u>

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

### 8. Dividend

Final proposed dividend	<u>—</u>	<u>—</u>
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## C. H. BAILEY Plc

### 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 £1,619,498 (2003: loss £2,461,788) includes a retained profit of £2,227,717 (2003: loss £1,044,664) 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	—	—	1,428,037
At independent valuation 1978	3,467,962	—	—	—	3,467,962
At directors' valuation 1996	—	—	—	63,425	63,425
At cost	2,083,902	67,938	1,351,596	5,027,982	8,531,418
Cost or valuation 31st March 2003	6,488,864	716,475	1,351,596	5,091,407	13,648,342
Exchange rate adjustments	(234,623)	(6,914)	(234,239)	(30,341)	(506,117)
Transfer	—	1,117,357	(1,117,357)	—	—
Additions	134,026	20,300	—	217,389	371,715
Disposals and deletions	—	—	—	(23,444)	(23,444)
At 31st March 2004	6,388,267	1,847,218	—	5,255,011	13,490,496
Depreciation 31st March 2003	98,528	468,085	206,460	4,215,015	4,988,088
Exchange rate adjustments	(2,892)	—	(43,313)	(68,755)	(114,960)
Transfer	—	163,147	(163,147)	—	—
Charge for year	27,830	49,437	—	181,056	258,323
Impairment	—	—	—	100,968	100,968
On disposal and deletions	—	—	—	(22,154)	(22,154)
At 31st March 2004	123,466	680,669	—	4,406,130	5,210,265
<b>Net book values:</b>					
2004	£6,264,801	£1,166,549	—	£848,881	£8,280,231
2003	£6,390,336	£248,390	£1,145,136	£876,392	£8,660,254
<b>Company</b>					
At independent valuation 1974	937,000	—	—	—	937,000
At directors' valuation 1996	—	—	—	9,200	9,200
At cost	22,757	—	—	—	22,757
Cost or valuation 31st March 2003	959,757	—	—	9,200	968,957
Disposals and deletions	—	—	—	(1,500)	(1,500)
At 31st March 2004	959,757	—	—	7,700	967,457
Depreciation 31st March 2003	4,781	—	—	1,288	6,069
Charge for year	1,195	—	—	154	1,349
On disposals and deletions	—	—	—	(210)	(210)
At 31st March 2004	5,976	—	—	1,232	7,208
<b>Net book values:</b>					
2004	£953,781	—	—	£6,468	£960,249
2003	£954,976	—	—	£7,912	£962,888

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.

The plant and machinery includes motor vehicles and office equipment.

## C. H. BAILEY Plc

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<b>11. Investment in subsidiary undertakings - company</b>	2004	2003
	£	£
At cost or valuation	<u>£ 7,915,266</u>	<u>£ 7,915,266</u>

The principal subsidiary undertakings are shown on page 22.

<b>12. Stock and work in progress-group</b>		
Stock	50,118	48,848
Work in progress	<u>59,140</u>	<u>30,285</u>
	<u>£109,258</u>	<u>£79,133</u>

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

## C. H. BAILEY Plc

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
<b>13. Debtors</b>				
Amounts falling due within one year:				
Trade debtors	1,027,065	735,100	—	—
Owed by subsidiary undertakings	—	—	1,959,101	2,090,180
Other debtors	90,322	89,126	66,963	11,981
Prepayments and accrued income	<u>76,723</u>	<u>56,652</u>	<u>4,152</u>	<u>8,782</u>
	1,194,110	880,878	2,030,216	2,110,943
Amounts falling due after more than one year:				
Deferred tax	162,188	636,575	162,188	543,539
	<u>£1,356,298</u>	<u>£1,517,453</u>	<u>£2,192,404</u>	<u>£2,654,482</u>
<b>14. Current asset investments</b>				
Listed investments	3,697,741	3,886,328	591,932	716,518
Unlisted investments	333,276	110,399	328,840	82,143
	<u>£4,031,017</u>	<u>£3,996,727</u>	<u>£920,772</u>	<u>£798,661</u>
Listed-market value	£4,061,457	£4,031,156	£673,485	£636,093
Unlisted-net asset value	<u>£676,908</u>	<u>£337,782</u>	<u>£328,840</u>	<u>£82,143</u>
<b>15. Creditors</b>				
Amounts falling due within one year:				
Bank loans and overdrafts	1,312,780	800,426	328,712	306,531
Trade creditors	835,533	586,936	46,955	21,593
Due to subsidiary undertakings	—	—	3,517,211	5,990,018
Social Security and other taxes	55,845	44,010	5,313	6,950
Other creditors	408,565	484,424	367,584	444,947
Accruals and deferred income	<u>232,686</u>	<u>156,725</u>	<u>11,890</u>	<u>16,584</u>
	2,845,409	2,072,521	4,277,665	6,786,623
Other loan	888,012	984,133	—	—
	<u>£3,733,421</u>	<u>£3,056,654</u>	<u>£4,277,665</u>	<u>£6,786,623</u>

The other loan is in respect of a related company, Equity Involvement Trust Limited. During the year, interest payable on the loan of £45,868 (2003:£49,614) was charged to the profit and loss account.

Other creditors include a balance due to Mrs S. A. Bailey of £209,127 and a balance due to Mr Charles H. Bailey of £150,000.

### 16. Creditors

Amounts falling due after more than one year:

Bank loans	<u>£ 393,756</u>	<u>£240,291</u>	<u>—</u>	<u>—</u>
In more than one year but not more than two years	42,510	54,918	—	—
In more than two years but not more than five years	200,306	185,373	—	—
In more than five years	150,940	—	—	—
	<u>£393,756</u>	<u>£240,291</u>	<u>—</u>	<u>—</u>

## C. H. BAILEY Plc

17. Provisions for liabilities and charges	Deferred tax £	Insurance £	Legal £	Total £
<b>Group</b>				
At 31st March 2003	94,589	311,900	110,000	516,489
Exchange rate adjustments	—	(65,434)	—	(65,434)
Utilised or released during the year	—	(246,466)	( 60,000)	(306,466)
Transfer to profit and loss account	(94,589)	—	—	( 94,589)
At 31st March 2004	<u>—</u>	<u>—</u>	<u>£50,000</u>	<u>£50,000</u>
<b>Company</b>				
At 31st March 2003	1,553	—	110,000	111,553
Utilised or released during the year	—	—	( 60,000)	(60,000)
Transfer to profit and loss account	(1,553)	—	—	(1,553)
At 31st March 2004	<u>—</u>	<u>—</u>	<u>£50,000</u>	<u>£50,000</u>

18. Share capital	2004 £	2003 £
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.

19. Reserves	Revaluation reserve £	Other reserves £	Profit and loss account £	Total £
<b>Group</b>				
At 31st March 2003	2,853,921	497,273	2,134,517	5,485,711
Retained loss	—	—	(1,619,498)	(1,619,498)
Transfer	(429,719)	—	429,719	—
Exchange rate adjustments	(46,721)	3,787	307,331	264,397
At 31st March 2004	<u>£2,377,481</u>	<u>£501,060</u>	<u>£1,252,069</u>	<u>£4,130,610</u>
<b>Company</b>				
At 31st March 2003	687,424	—	(1,245,366)	(557,942)
Retained Profit	—	—	2,227,717	2,227,717
At 31st March 2004	<u>£687,424</u>	<u>—</u>	<u>£ 982,351</u>	<u>£ 1,669,775</u>

## C. H. BAILEY Plc

	2004	2003
	£	£
<b>20. Reconciliation of movements in shareholders' funds</b>		
(Loss) retained for year	(1,619,498)	(2,461,788)
Exchange rates adjustments	<u>264,397</u>	<u>766,422</u>
Net movements in shareholders' funds	(1,355,101)	(1,695,366)
Funds at: 31st March 2003 brought forward	11,482,584	13,177,950
31st March 2004 carried forward	<u><u>£10,127,483</u></u>	<u><u>£11,482,584</u></u>

### 21. 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 2003 and 2004.

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.

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

Operating (loss)	(1,152,903 )	(2,621,748 )
Non cash items:		
Depreciation	258,323	268,554
Impairment to fixed asset	100,968	973,196
Loss on sale of tangible fixed assets	1,290	980
(Profit) loss on sale of investments	(90,069)	527,861
Provision against cost of investments	(245,885)	(379,272)
Exchange rate adjustments	606,415	738,020
Changes in minority interests	2,495	3,213
Movements in working capital:		
(Increase) in stock and work in progress	(30,125)	(6,884)
(Increase) in debtors	(313,232)	(160,280)
(Decrease) increase in creditors	<u>(45,932)</u>	<u>483,044</u>
Net cash (outflow) from operating activities	<u><u>£ (908,655)</u></u>	<u><u>£ (173,316)</u></u>

## C. H. BAILEY Plc

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

	2003 £	Cash flow £	Exchange rate adjustments £	2004 £
Cash and bank overdrafts	258,420	(1,486,209)	(21,548)	(1,249,337)
Liquid resources	<u>15,399</u>	<u>485,032</u>	<u>(2,159)</u>	<u>498,272</u>
	273,819	(1,001,177)	(23,707)	(751,065)
Other loans due within one year	(984,133)	96,121	—	(888,012)
Bank loans due after more than one year	<u>(240,291)</u>	<u>(160,877)</u>	<u>7,412</u>	<u>(393,756)</u>
Net funds/(debt)	<u>£ (950,605)</u>	<u>£ (1,065,933)</u>	<u>£ (16,295)</u>	<u>£ (2,032,833)</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

- The group has secured its U.K. bank borrowings of £1,165,698 by a charge over the freehold land and buildings at Bute Dry Dock, Cardiff, the leasehold land and buildings at Alexandra Dock, Newport and certain listed investments.
- A cross guarantee and debenture has been given by the company and certain of the U.K. subsidiary undertakings to secure bank borrowings. These borrowings at 31st March 2004 amounted to £1,142,959 (2003: £503,343).
- St Georges Bay Hotel Ltd (Malta) has secured its bank borrowings up to a limit of £549,850 (2003: £567,350) by a charge over its assets. These borrowings as at 31st March 2004 amounted to £540,838 (2003: £371,517).
- 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.
- There are no capital commitments in respect of contracted expenditure (2003 : £Nil).

### 25. Post balance sheet event

On 6th April 2004, the group purchased the assets of Midway Engineering Group for £75,000.

### 26. Obligations under operating leases

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

	2004 £	2003 £
within one year	697	1,026
after five years	<u>28,027</u>	<u>26,077</u>
	<u>£28,724</u>	<u>£27,103</u>

## C. H. BAILEY Plc

### 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:-

		2004 £	2003 £
Short-term deposits		498,272	15,399
Cash and bank overdraft		(1,249,337)	258,420
		(751,065)	273,819
Other loans due within one year		(888,012)	(984,133)
Bank loans due after more than one year		(393,756)	(240,291)
Net borrowings		(2,032,833)	(950,605)
Current asset investments		4,031,017	3,996,727
Other net operating assets		8,163,158	8,468,256
Total net assets		<u>£10,161,342</u>	<u>£11,514,378</u>
Net borrowings	Dollar	56,808	787,554
	Sterling	(1,582,243)	(1,648,041)
	Other	(507,398)	(90,118)
		<u>£(2,032,833)</u>	<u>£(950,605)</u>
Current assets investments	Dollar	2,517,546	1,456,778
	Sterling	1,401,143	1,365,196
	Other	112,328	1,174,753
		<u>£4,031,017</u>	<u>£3,996,727</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 2004 the group had £1,715,548 (2003: £1,067,350) of committed facilities of which £1,706,536 (2003: £888,710) was utilised. £1,165,698 of this limit expires within one year, with the remainder expiring 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
<b>Industrial division:</b>		
P & D Electrical Services Limited.	100%	Electrical contractors
Specialist Heavy Engineers Limited.	100%	Heavy engineering and shiprepairing
<b>Leisure:</b>		
Bay Travel Limited	100%	Travel agency
Dragon Yachts (World Wide) Limited	100%	Asset owning and hiring
St. George's Bay Hotel Limited (Malta)	99%	Operation of hotel
Libwelsh Limited	100%	Asset owning and hiring
Cordura Limited (Tanzania)	100%	Operation of hotel and safari camps
<b>Other activities:</b>		
Industrial Investment Corporation Limited (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.

# C. H. BAILEY Plc

## 5 YEAR STATEMENT

	— Restated —				
	2000	2001	2002	2003	2004
	£'000	£'000	£'000	£'000	£'000
Turnover	<u>3,349</u>	<u>4,099</u>	<u>3,042</u>	<u>3,376</u>	<u>4,633</u>
Operating profit (loss)	(357)	73	(3,541)	(2,622)	(1,153)
Net interest receivable (payable)	<u>92</u>	<u>92</u>	<u>72</u>	<u>(37)</u>	<u>(82)</u>
Profit (loss) before taxation	(265)	165	(3,469)	(2,659)	(1,235)
Taxation	<u>—</u>	<u>(2)</u>	<u>(35)</u>	<u>195</u>	<u>(385)</u>
Profit (loss) after taxation	(265)	163	(3,504)	(2,464)	(1,620)
Minority interests	<u>(1)</u>	<u>(3)</u>	<u>—</u>	<u>2</u>	<u>—</u>
Profit (loss) for year	(266)	160	(3,504)	(2,462)	(1,620)
Dividends	<u>—</u>	<u>(150)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit (loss) retained	<u>(266)</u>	<u>10</u>	<u>(3,504)</u>	<u>(2,462)</u>	<u>(1,620)</u>
Fixed assets	8,775	9,440	9,327	8,660	8,280
Net current assets	7,786	7,183	4,694	3,611	2,325
Non current liabilities	(398)	(397)	(813)	(757)	(444)
Net assets	<u>16,163</u>	<u>16,226</u>	<u>13,208</u>	<u>11,514</u>	<u>10,161</u>
Earnings per share	(0.44p)	0.27p	(5.84p)	(4.11p)	(2.70p)
Net assets per share	26.95p	27.06p	22.03p	19.20p	16.94p

