

**C. H. BAILEY Plc**

**REPORT AND ACCOUNTS 2005**

# 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 Brittan LLP 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>

## C .H. Bailey Plc

### NOTICE OF MEETING

**Notice** is hereby given that the eighty-second annual general meeting of C.H. Bailey Plc will be held at Newport Rugby Football Club, Rodney Parade, Newport, NP19 0UU on Wednesday 23rd November 2005 at 11.00 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 2005.
2. To re-appoint the auditors and authorise the directors to determine their remuneration.
3. To re-elect as director Mrs S A Bailey who retires by rotation and being eligible, offers herself 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 21st November 2005 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.  
30th September 2005

#### **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 Alexandra Docks, Newport, South Wales, and at the meeting, copies of all service contracts of directors not expiring or determinable within one year.

# C. H. BAILEY Plc

## Chairman's Statement & Financial results for the year ended 31st March 2005

### Overview

	2004/5	2003/4	2002/3
Turnover - continuing operations	<b>6,614,785</b>	<b>4,633,070</b>	<b>3,376,000</b>
Increase in turnover %.	42.77%	37.23%	
Operating (loss) - continuing operations	<b>941,088</b>	<b>977,925</b>	<b>2,622,000</b>
Reduction in Losses %.	3.76%	62.70%	
Loss before tax	<b>867,279</b>	<b>1,235,062</b>	<b>2,659,000</b>
Reduction in Losses %.	29.77%	53.55%	
Loss per share	<b>1.54p</b>	<b>2.70p</b>	<b>4.11p</b>
Reduction in Losses %.	42.96%	34.30%	

### Financial Highlights

- Turnover continues to grow organically and by acquisition
- Losses continue to be reduced

### Restructuring & Repositioning Highlights

- Closure of the group's ship repair division
- Sale of M.Y Welsh Liberty and Bute Dry Dock Cardiff
- Move to the AIM market of the London Stock Exchange
- Purchase of own shares from the Receivers of Barlow Clowes International
- Acquisition of Modular Automation International Limited and Midway Precision Ltd
- Recent successful £883,774 open offer to shareholders

2005 has been a busy year for the Group - we have seen the turnover excluding discontinued operations grow to £6,614,785 (2004: £4,633,070) an increase of some 42%. This increase has been through both organic growth and acquisition. I am also pleased to report that we have again reduced the loss before taxation, which amounts to £867,279 (2004: £1,235,062), a reduction of some 30%.

During the period, we closed ship repairing after 127 years of operation. This was a difficult but financially sound decision. This year the Group also realised some £1.9m from the sale of MY Welsh Liberty and the Bute Dry Dock in Cardiff, which has significantly reduced group borrowings.

In August 2004, the Group moved to the Alternative Investment Market (AIM) of the London Stock Exchange and in October 2004, the Company purchased its own shares from the Receivers of Barlow Clowes International. Some of these shares were, until recently, held as Treasury Shares by the company. The release of this block of shares into the market through the recent open offer has strengthened the Group's balance sheet and provides more liquidity in the Company's shares. As indicated at the time of the open offer, the Board is considering the benefits of moving to a single class of share, and is aiming to report to shareholders on this at the forthcoming Annual General Meeting.

The Board believes the benefits of restructuring and repositioning of the Group will continue to show in future growth in turnover and improving operating margins.

### Engineering

The underlying performance of Specialist Heavy Engineers Ltd (SHE) has been better than expected. The closure of ship repairing has allowed management to focus on its core businesses. It is against this background that new markets have been identified and our engineering division is actively seeking to strengthen its position in those new markets. This, together with strengthened financial and management controls, has seen revenues increase and margins improve. SHE is now much more strongly positioned and we aim to continue to maintain this momentum and these improvements as it consolidates its position in the key markets available to it.

Midway Precision Ltd (Midway) in its first full year of trading has met its revenue targets. Midway complements SHE, and offers a greater and more precise range of engineering services for our customers. Although Midway is in a more competitive engineering sector, helped by its association with SHE, it has been able to and we believe will continue to enhance its market position and attract more business from new customers.

P & D Electrical Ltd (P&D) is a South Wales based electrical contracting company. During the period under review, it saw steep growth in revenues as new markets opened while ship repairing, once its core business, closed. The changes made this year have re-positioned P&D for future growth.

The acquisition of Modular Automation International Limited is increasingly showing more and more value to our shareholders. Based in Birmingham this company is still one of the leaders in the high-end value added market of Automation and Solution providers. With Group support we see this company growing its turnover significantly, providing real benefits to the Group. Purchased part way through our financial year in January 2005, the true impact of Modular will not become apparent in the Group accounts until 2006.

## C. H. BAILEY Plc

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Overall the engineering division has not only restructured and repositioned itself but also emerged as a healthier operation, which we believe will continue to grow and provide increased revenues and move into profitability. This is a difficult market place with more and more global competition. However, with the Group's depth of specialist engineering knowledge and management flexibility, we are confident that we can continue to maintain our position, trend and growth.

### **Leisure and Travel**

This division includes our hotel in Malta and the hotel and safari camps in Tanzania together with Bay Travel Limited, which operates from offices in London and Newport, South Wales. Bay Travel acts as the co-ordinator for the Malta and Tanzanian operations and as travel advisers for both private and corporate clients.

Our hotel in Malta has again had a profitable year. The Hotel is situated on a prime site in St Georges Bay, Malta's only blue flag beach and is surrounded by a number of Malta's 5 star hotels. Our contract with EF language has been extended for a further 5 years and we continue to offer a very popular service to the student market in Malta. During the year, Malta's overall tourist numbers fell but student arrivals increased and the government is now considering the implications of this change for the tourist industry as a whole.

Tanzania as a country continues to consolidate its position as one of Africa's more successful reforming economies. This has had positive global results commercially, in particular for tourism, which has benefited our Group operations in the country.

Beho Beho was extensively refurbished in 2003/4 and re-launched to the tourist market in June 2004 as one of the most exclusive safari camps in the Selous Game Reserve in Tanzania. The response has been overwhelming and we continue to operate at high guest occupancy. We are now exploring ways of enhancing and supporting the new benchmark in tourism that this camp has set for Southern Tanzania.

Mikumi Wildlife Camp saw an increase in revenues and occupancy by over 20% for the year. The camp continues to trade profitably and maintain its position as the premier destination in the area. We have seen a steady rise in overseas tourists over the year and following this increase combined with the success of Beho Beho, we will be undertaking a refurbishment programme to upgrade the operation that will allow the camp to maintain its market position and increase its overseas trade.

The Oyster Bay Hotel shops continue to operate profitably with high occupancy. During the year work to the complex was completed and the new rental space was let almost immediately, which has meant that we have been able to maintain a 90% occupancy of the available rentable area. It is hoped that during this year we will be able to upgrade and improve the adjacent local council car park, which will enhance both the complex's and the Hotel site's future potential.

As previously reported, the Board is evaluating the development and other opportunities that exist in Malta and Tanzania. Discussions with potential international, regional and local developers and financiers are moving forward and studies are being undertaken in both locations. In Tanzania discussions are underway to develop part of the site to provide office space adjacent to the existing shops. The Group has applied for planning permission for such a development. If successful, this may also be a catalyst for development of the whole site.

### **Investments**

The company continues to maintain a varied portfolio with expert fund managers in Europe and the USA. The Funds are maintained in Bonds, Stocks and Hedge funds and the Group continues to receive good returns from these investments, although they are affected by fluctuations in exchange rates, particularly for the US dollar. Holding these investments enables the Group to see out the various cycles in its areas of operations and also to be able to invest in our various development projects when required.

### **Outlook**

Clearly, the changes made during the period were necessary. Further changes, like the others, will be made in order to increase revenue and productivity in both the short and long term. I believe the signs for the future are encouraging as the trend of the past two years continues with revenues increasing and margins improving. Trading in the first five months of the current financial year has either been in line with or exceeded management expectations, and we remain positive on the Group's prospects for the remainder of the year and beyond.

To get this far has been a team effort and I would personally like to thank management, employees, advisors and their respective family members, who have also provided their advice and support over the year and allowed the time needed to be given by those directly involved with the Group.

We now have a more stable platform on which we can build for the future and I am confident that with the current performance we will see your Group trading profitably by the end of the current financial year.

Charles Bailey  
Chairman and Managing Director

30th September 2005

## REPORT OF THE DIRECTORS

The directors submit their report and accounts for the year ended 31st March 2005.

### **Principal activities**

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

The loss on these various activities which is attributable to the shareholders amounted to £781,439 (2004: loss £1,619,498).

A review of the group's business, development and prospects can be found in the chairman's statement on page 1 & 2.

### **Dividend**

The directors do not recommend the payment of a final dividend in respect of the year ended 31st March 2005 (2004:£Nil).

### **Changes in fixed assets**

A summary of the changes in intangible fixed assets is given in note 10 to the accounts.

A summary of the changes in tangible fixed assets is given in note 11 to the accounts.

A summary of the changes in fixed asset investments is given in note 12 to the accounts.

### **Acquisitions**

A summary of the acquisitions is given in note 19 to the accounts.

### **Purchase of own shares**

During the year under review, the company purchased and cancelled 10,559,031 ordinary shares and 1,105,556 'B' ordinary shares at a cost of £695,741. During the year under review, the company purchased and retained as treasury shares 4,440,969 ordinary shares and 389,444 'B' ordinary shares at a cost of £274,084.

### **Post balance sheet event**

The group disposed of its investment in treasury shares in July 2005, realising £883,774 before expenses.

### **Charitable and political contributions**

During the year the group made no contributions of a charitable or political nature (2004 : £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 2005, consisted of Charles H. Bailey, Mrs S. A. Bailey, T. C. Bishop and Sir W. H. McAlpine.

The director retiring by rotation is Mrs S. A. Bailey, who, being eligible, offers herself for re-election.

No director had, in the financial year to 31st March 2005, 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

## 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 9. 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:

		30th September 2005	31st March 2005	31st March 2004
Charles H. Bailey	ordinary shares	1,745,323	492,739	492,739
	'B' ordinary shares	170,637	143,500	143,500
Mrs S. A. Bailey	ordinary shares	20,228,260	18,205,434	18,205,434
	'B' ordinary shares	3,099,444	2,789,500	2,789,500
T. C. Bishop	ordinary shares	9,123	8,211	8,211
Sir William H. McAlpine	ordinary shares	11,111	10,000	10,000

### (b) Substantial shareholdings

The directors have been advised of the following shareholdings:

P. S. Allen	'B' ordinary shares	408,669	360,427	360,427
Messrs N. Hamilton and M. Jordan	ordinary shares	—	—	1,500,000
	'B' ordinary shares	—	—	1,495,000

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  
30th September 2005

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 6 to 25 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 9.

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. As described on page 4 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 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 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 read the report of the directors and the other information contained in the annual 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. 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 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 2005 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.

NEWPORT, South Wales  
30th September 2005

WALTER HUNTER & CO  
Chartered Accountants and  
Registered Auditors

C. H. BAILEY Plc

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31st March 2005

		Continuing Operations Acquisitions £	Continuing Operations Existing £	Discontinued Operations £	2005 £	Continuing Operations £	Discontinued Operations £	2004 £
	Notes							
<b>Turnover</b>	1	1,073,872	5,540,913	199,936	<b>6,814,721</b>	4,633,070	—	4,633,070
Cost of sales		(802,323)	(5,047,765)	(272,043)	<b>(6,122,131)</b>	(4,290,217)	(74,010)	(4,364,227)
Impairment to fixed asset		—	—	—	—	—	(100,968)	(100,968)
<b>Gross profit (loss)</b>		<u>271,549</u>	<u>493,148</u>	<u>(72,107)</u>	<b>692,590</b>	<u>342,853</u>	<u>(174,978)</u>	<u>167,875</u>
Administrative expenses	5	(358,902)	(1,800,592)	(36,149)	<b>(2,195,643)</b>	(2,074,908)	—	(2,074,908)
<b>Trading (loss)</b>		<u>(87,353)</u>	<u>(1,307,444)</u>	<u>(108,256)</u>	<b>(1,503,053)</b>	<u>(1,732,055)</u>	<u>(174,978)</u>	<u>(1,907,033)</u>
Investment activities and other income	2	—	453,709	—	<b>453,709</b>	754,130	—	754,130
<b>Operating (loss)</b>		<u>(87,353)</u>	<u>(853,735)</u>	<u>(108,256)</u>	<b>(1,049,344)</b>	<u>(977,925)</u>	<u>(174,978)</u>	<u>(1,152,903)</u>
<b>Exceptional items</b>								
Profit on disposal of fixed assets					<b>594,719</b>			—
Restructuring costs					<b>(284,003)</b>			—
<b>(Loss) on ordinary activities before Interest</b>					<b>(738,628)</b>			(1,152,903)
Interest receivable	3				<b>42,583</b>			25,752
Interest payable	4				<b>(171,234)</b>			(107,911)
<b>(Loss) on ordinary activities before taxation</b>	5				<b>(867,279)</b>			(1,235,062)
Taxation	6				<b>73,432</b>			(384,866)
<b>(Loss) on ordinary activities after taxation</b>					<b>(793,847)</b>			(1,619,928)
Minority interest - all equity					<b>12,408</b>			430
<b>(Loss) for year</b>					<b>(781,439)</b>			(1,619,498)
Dividend	8				—			—
<b>Retained (loss) for year</b>	21				<b>(781,439)</b>			£ (1,619,498)
<b>Earnings per share</b>	23				<b>(1.54p)</b>			(2.70p)

The accounting policies and notes on pages 9 to 25 form part of these accounts.

C. H. BAILEY Plc

**BALANCE SHEETS**  
at 31st March 2005

	Notes	Group		Company	
		2005 £	2004 £	2005 £	2004 £
<b>Fixed assets</b>					
Intangible assets	10	857,357	—	7,500	—
Tangible assets	11	7,358,426	8,280,231	13,583	960,249
Fixed investments	12	—	—	8,201,632	7,915,266
		<u>8,215,783</u>	<u>8,280,231</u>	<u>8,222,715</u>	<u>8,875,515</u>
<b>Current assets</b>					
Stock and work in progress	13	771,957	109,258	—	—
Debtors	14	2,429,646	1,356,298	2,681,419	2,192,404
Current investments	15	2,531,211	4,031,017	647,191	920,772
Cash at bank and in hand		<u>873,718</u>	<u>561,715</u>	<u>726,372</u>	<u>5,622</u>
		6,606,532	6,058,288	4,054,982	3,118,798
<b>Creditors: amounts falling due within one year</b>	16	<u>5,372,877</u>	<u>3,733,421</u>	<u>5,935,490</u>	<u>4,277,665</u>
<b>Net current assets (liabilities)</b>		<u>1,233,655</u>	<u>2,324,867</u>	<u>(1,880,508)</u>	<u>(1,158,867)</u>
<b>Total assets less current liabilities</b>		9,449,438	10,605,098	6,342,207	7,716,648
<b>Creditors: amounts falling due after more than one year</b>	17	395,240	393,756	—	—
Provision for liabilities and charges	18	102,513	50,000	50,000	50,000
		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net assets</b>		<u>£8,951,685</u>	<u>£10,161,342</u>	<u>£6,292,207</u>	<u>£7,666,648</u>
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Called up share capital	20	4,830,414	5,996,873	4,830,414	5,996,873
Capital redemption reserve		1,166,459	—	1,166,459	—
Investment in own shares		(274,084)	—	(274,084)	—
Revaluation reserve		1,705,051	2,377,481	—	687,424
Other reserves		615,840	501,060	—	—
Profit and loss account		<u>537,334</u>	<u>1,252,069</u>	<u>569,418</u>	<u>982,351</u>
Equity Shareholders' funds		8,581,014	10,127,483	6,292,207	7,666,648
Minority interest		370,671	33,859	—	—
		<u>£8,951,685</u>	<u>£10,161,342</u>	<u>£6,292,207</u>	<u>£7,666,648</u>
<b>Net assets per share</b>	23	20.59p	16.94p	14.47p	12.78p

These financial statements were approved by the board of directors on 30th September 2005

CHARLES H. BAILEY, Director

The accounting policies and notes on pages 9 to 25 form part of these accounts.

C. H. BAILEY Plc

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31st March 2005

	Notes	2005		2004	
		£	£	£	£
<b>Net cash (outflow) from operating activities</b>	24		(1,422,611)		(908,655)
<b>Return on investments and servicing of finance</b>					
Interest received		42,583		25,752	
Interest paid		(171,234)	(128,651)	(107,911)	(82,159)
<b>Taxation</b>			(4,945)		(5,068)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(544,665)		(371,715)	
Sale of tangible fixed assets		2,044,054	1,499,389	—	(371,715)
<b>Acquisitions</b>					
Purchase of Modular Automation Int Ltd		(286,365)		—	
Overdraft acquired from Modular Automation Int Ltd		(385,234)		—	
Other goodwill acquired		(55,000)	(726,599)	—	—
<b>Cash (outflow) before use of liquid resources and financing</b>			(783,417)		(1,3637,597)
<b>Equity dividends paid</b>			—		—
<b>Management of liquid resources</b>					
Purchase of investments		(1,411,322)		(3,438,531)	
Sale of investments		3,196,697		3,740,195	
Net (increase) in short term deposits		(395,598)	1,389,777	(485,032)	(183,368)
<b>Financing</b>					
Investment in own shares		(969,825)		—	
Directors loans		934,594		—	
(Decrease) in other loans due within one year		(79,626)		(96,121)	
(Decrease) Increase in bank loans due after more than one year		(68,738)		160,877	
Capital element of finance leases		114,920	(68,675)	—	64,756
<b>Increase (decrease) in cash in the year</b>	25		<u>£537,685</u>		<u>£(1,486,209)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

for the year ended 31st March 2005

	2005	2004
	£	£
(Loss) retained for year	(781,439)	(1,619,498)
Investment in own shares	(969,825)	—
Exchange rate adjustment	204,795	264,397
Total recognised (loss) since last annual report	<u>£(1,546,469)</u>	<u>£(1,355,101)</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.

## 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 25 and all accounts are for the year ended 31st March 2005.

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 represents 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.

### **Long term contracts**

Profit on long term contracts is taken as the work is carried out if the financial outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of the work completed at the year end and full provision is made for all foreseeable losses.

### **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.

### **Goodwill**

Goodwill arising on acquisitions is capitalised and amortised over its estimated useful economic life. Negative goodwill arising on acquisitions is capitalised and written back through the profit and loss account in the period in which the non-monetary assets acquired are recovered

### **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 5% and 50%

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.

### **Finance Leases**

Finance leases, which transfer substantially all the risks and rewards of ownership of the assets concerned, are capitalised in the balance sheet at net present value. The corresponding liabilities are recorded as long term or current liabilities depending on the period when they are due. The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases as a finance cost. Capitalised leased assets are depreciated over their estimated useful life.

### **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.

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### **Foreign exchange**

Assets, liabilities and profit and loss accounts on 31st March 2005 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.

### **Treasury Shares**

The cost of shares in the company held by the group is accounted for as a deduction in arriving at shareholders' funds. No profits or losses are recognised in respect of dealings in own shares and no loss is recognised when share values reduce.

## NOTES TO THE ACCOUNTS

### 1. Segmental information

<b>Classes of business</b>	Turnover £	Operating (loss) continuing operations £	Operating (loss) discontinued operations £	Net assets £
Industrial:				
2005	4,551,837	( 220,955 )	(79,304)	1,528,515
2004	2,133,818	(176,816)	—	1,075,177
Leisure:				
2005	2,244,384	( 320,942 )	( 28,952 )	6,100,915
2004	2,462,252	( 393,946 )	(174,978 )	6,109,964
Agents, managers, consultants and investors:				
2005	18,500	( 399,191 )	—	1,322,255
2004	37,000	( 407,163 )	—	2,976,201
Group:				
2005	6,814,721	( 941,088 )	(108,256 )	8,951,685
2004	4,633,070	(977,925 )	( 174,978 )	10,161,342
<b>Geographical segments</b>				
United Kingdom:				
2005	5,862,410	( 872,405 )	(108,256 )	1,708,211
2004	3,883,739	(632,886 )	(174,978 )	1,594,382
Malta, Tanzania and Rest of the World:				
2005	952,311	( 68,683 )	—	7,243,474
2004	749,331	(345,039 )	—	8,566,960
Group:				
2005	6,814,721	( 941,088 )	( 108,256 )	8,951,685
2004	4,633,070	(977,925 )	( 174,978 )	10,161,342

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	2005 £	2004 £
<b>2. Investment activities and other income</b>		
Income from current asset investments	168,140	418,176
Profit on sale of investments	452,432	90,069
Provision on current asset investments	( 166,863 )	245,885
	<u>£ 453,709</u>	<u>£ 754,130</u>
<b>3. Interest receivable</b>		
Short term bank and money made deposits	<u>£42,583</u>	<u>£25,752</u>
<b>4. Interest payable</b>		
Bank loans and overdrafts	91,532	62,043
Directors' loans	28,743	—
Other loans	42,181	45,868
Finance leases	8,778	—
	<u>£171,234</u>	<u>£107,911</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:		
Goodwill amortisation	35,947	—
Depreciation continuing operations - owned assets	233,551	192,713
Depreciation continuing operations - finance leased assets	8,483	—
Depreciation discontinued operations	22,142	65,610
(Profit) loss on disposal of tangible fixed assets	(20,929)	1,290
Administrative expenses:		
Directors' remuneration (note 7)	98,599	99,395
Auditors' fees - audit services	32,242	27,103
- non-audit services	13,070	11,100
Overseas auditors fees - audit services	18,800	19,600
- non-audit services	21,829	21,489
Rental payments under operating leases (note 28)	96,349	31,474
Exchange losses	<u>130,509</u>	<u>684,125</u>
<b>6. Taxation</b>		
Current tax - foreign	4,945	5,068
Deferred tax (credit) charge	( 78,377 )	379,798
	<u>£ (73,432 )</u>	<u>£ 384,866</u>
The group has tax losses available from previous accounting periods.		
<b>Deferred tax:</b>		
Origination and reversal of timing differences	—	(94,589)
Movement on deferred tax asset	(78,377)	474,387
	<u>£(78,377)</u>	<u>£ 379,798</u>
<b>Factors affecting tax charge for the year:</b>		
Tax on (loss) on ordinary activities before tax at 30%	(260,184)	(370,519)
Expenses disallowed	14,897	4,542
Other timing differences	54,243	—
Deferred tax	78,377	(379,798)
Differences arising on overseas earnings	94,115	722,487
Differences arising on capital sales and investment income	(244,291)	(33,114)
Deferred tax on losses not recoverable	267,788	61,470
Current tax	<u>£ 4,945</u>	<u>£5,068</u>

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	2005	2004
<b>7. Directors and employees</b>		
The average number of employees of the group (including directors) was as follows:		
Management	18	13
Administration	24	21
Production	<u>150</u>	<u>79</u>
	<u>192</u>	<u>113</u>
The aggregate remuneration (including directors) was as follows:		
	£	£
Wages and salaries	2,614,561	1,540,301
Social security costs	259,624	134,517
Pensions (defined contribution schemes)	<u>8,078</u>	<u>8,416</u>
	<u>£2,882,263</u>	<u>£1,683,234</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	18,200
Other emoluments including pension contributions	<u>80,399</u>	<u>81,195</u>
	<u>£98,599</u>	<u>£99,395</u>

	Salary and fees		Total emoluments excluding pensions		Pension contributions		Total emoluments including pension contributions	
	£	£	2005 £	2004 £	2005 £	2004 £	2005 £	2004 £
Mr. Charles H. Bailey (Director)	77,000	772	77,772	77,723	—	1,000	77,772	78,723
Mrs S. A. Bailey (Director)	9,335	2,176	11,511	11,308	—	—	11,511	11,308
Mr. T. C. Bishop (Director)	4,000	1,316	5,316	5,364	—	—	5,316	5,364
Sir W. H. McAlpine (Director)	4,000	—	4,000	4,000	—	—	4,000	4,000
	<u>£94,335</u>	<u>£4,264</u>	<u>£98,599</u>	<u>£98,395</u>	<u>—</u>	<u>£1,000</u>	<u>£98,599</u>	<u>£99,395</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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### 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 £781,439 (2004: loss £1,619,498) includes a retained loss of £404,616 (2004: profit £2,227,717) which is dealt with in the accounts of the company.

### 10. Intangible assets

<b>Group</b>	Goodwill £
Additions	55,000
Acquisition (note 19)	<u>838,304</u>
At 31st March 2005	<u>893,304</u>
Amortisation for year	<u>35,947</u>
At 31st March 2005	<u>35,947</u>
Net book value	
2005	£ <u>857,357</u>
2004	£ <u>—</u>
<b>Company</b>	
Additions	<u>20,000</u>
At 31st March 2005	<u>20,000</u>
Amortisation for year	<u>12,500</u>
	<u>12,500</u>
Net book value	
2005	£ <u>7,500</u>
2004	£ <u>—</u>

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### 11. Tangible fixed assets

Group	Freehold Land and Buildings £	Leasehold Land and Buildings Under 50 years £	Plant and Machinery £	Total £
At directors' valuation 1972	—	157,500	—	157,500
At independent valuation 1974	937,000	491,037	—	1,428,037
At independent valuation 1978	3,320,802	—	—	3,320,802
At directors' valuation 1996	—	—	61,925	61,925
At cost	2,130,465	1,198,681	5,193,086	8,522,232
Cost or valuation 31st March 2004	6,388,267	1,847,218	5,255,011	13,490,496
Exchange rate adjustments	100,899	1,470	10,784	113,153
Acquisition (note 19)	—	65,440	56,846	122,286
Additions	62,033	180,385	302,247	544,665
Disposals and deletions	(959,757)	(122,106)	(3,346,006)	(4,427,869)
At 31st March 2005	5,591,442	1,972,407	2,278,882	9,842,731
Depreciation 31st March 2004	123,466	680,669	4,406,130	5,201,265
Exchange rate adjustments	2,184	(8,053)	15,196	9,327
Charge for year	30,736	54,142	179,298	264,176
On disposal and deletions	(8,963)	—	(2,990,500)	(2,999,463)
At 31st March 2005	147,423	726,758	1,610,124	2,484,305
<b>Net book values:</b>				
2005	£5,444,019	£1,245,649	£668,758	£7,358,426
2004	£6,264,801	£1,166,549	£848,881	£8,280,231
<b>Company</b>				
At independent valuation 1974	937,000	—	—	937,000
At directors' valuation 1996	—	—	7,700	7,700
At cost	22,757	—	—	22,757
Cost or valuation 31st March 2004	959,757	—	7,700	967,457
Additions	—	—	21,000	21,000
Disposals and deletions	(959,757)	—	—	(959,757)
At 31st March 2005	—	—	28,700	28,700
Depreciation 31st March 2004	5,976	—	1,232	7,208
Charge for year	2,987	—	13,885	16,872
On disposals and deletions	(8,963)	—	—	(8,963)
At 31st March 2005	—	—	15,117	15,117
<b>Net book values:</b>				
2005	—	—	£13,583	£13,583
2004	£953,781	—	£6,468	£960,249

The net book value of plant and machinery held under finance leases is made up as follows:-

Cost	99,913
Accumulated depreciation	(8,482)
Net book value	<u>£91,431</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.

The plant and machinery includes motor vehicles and office equipment.

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<b>12. Investment in subsidiary undertakings - company</b>	2005	2004
	£	£
At cost or valuation	7,915,266	7,915,266
Acquisition (note 19)	286,365	—
Addition	1	—
	<u>£8,201,632</u>	<u>£7,915,266</u>

The principal subsidiary undertakings are shown on page 24.

<b>13. Stock and work in progress-group</b>		
Stock	167,169	50,118
Work in progress	604,788	59,140
	<u>£771,957</u>	<u>£109,258</u>

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

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	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
<b>14. Debtors</b>				
Amounts falling due within one year:				
Trade debtors	1,613,152	1,027,065	—	—
Amounts recoverable on long term contracts	136,234	—	—	—
Owed by subsidiary undertakings	—	—	2,366,378	1,959,101
Other debtors	55,580	90,322	20,407	66,963
Prepayments and accrued income	172,357	76,723	54,069	4,152
	<u>1,977,323</u>	<u>1,194,110</u>	<u>2,440,854</u>	<u>2,030,216</u>
Amounts falling due after more than one year:				
Deferred tax	452,323	162,188	240,565	162,188
	<u>£2,429,646</u>	<u>£1,356,298</u>	<u>£2,681,419</u>	<u>£2,192,404</u>
<b>15. Current asset investments</b>				
Listed investments	2,477,191	3,697,741	593,171	591,932
Unlisted investments	54,020	333,276	54,020	328,840
	<u>£2,531,211</u>	<u>£4,031,017</u>	<u>£647,191</u>	<u>£920,772</u>
Listed-market value	£2,668,246	£4,061,457	£736,126	£673,485
Unlisted-net asset value	<u>£95,200</u>	<u>£676,908</u>	<u>£54,020</u>	<u>£328,840</u>

<b>16. Creditors</b>				
Amounts falling due within one year:				
Bank loans and overdrafts	696,817	1,312,780	—	328,712
Finance lease obligations	52,017	—	—	—
Trade creditors	1,392,527	835,533	66,188	46,955
Payments on accounts	555,104	—	—	—
Due to subsidiary undertakings	—	—	4,499,684	3,517,211
Social Security and other taxes	232,086	55,845	11,368	5,313
Directors loans	1,293,721	359,127	1,288,955	359,127
Other creditors	62,351	49,438	9,000	8,457
Accruals and deferred income	279,868	232,686	60,295	11,890
	<u>4,564,491</u>	<u>2,845,409</u>	<u>5,935,490</u>	<u>4,277,665</u>
Other loan	808,386	888,012	—	—
	<u>£5,372,877</u>	<u>£3,733,421</u>	<u>£5,935,490</u>	<u>£4,277,665</u>

The other loan is in respect of a related company, Equity Involvement Trust Limited. During the year, interest payable on the loan of £42,181 (2004:£45,868) was charged to the profit and loss account.

<b>17. Creditors</b>				
Amounts falling due after more than one year:				
Bank loans	332,337	393,756	—	—
Finance lease obligations	62,903	—	—	—
	<u>£395,240</u>	<u>£395,756</u>	<u>—</u>	<u>—</u>
<b>Bank Loans</b>				
In more than one year but not more than two years	50,289	42,510	—	—
In more than two years but not more than five years	169,304	200,306	—	—
In more than five years	112,744	150,940	—	—
	<u>£332,337</u>	<u>£393,756</u>	<u>—</u>	<u>—</u>

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	Group		Company	
	2005 £	2004 £	2005 £	2004 £
<b>Finance Lease Obligations</b>				
In more than one year but no more than two years	22,145	—	—	—
In more than two years but no more than five years	40,758	—	—	—
	<u>£62,903</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>18. Provisions for liabilities and charges</b>		Losses on long term contracts		
	Legal £	£	Warranty £	Total £
<b>Group</b>				
At 31st March 2004	50,000	—	—	50,000
Acquisition (note 19)	—	42,100	6,500	48,600
Transfer to profit and loss account	—	(6,884)	10,797	13,913
At 31st March 2005	<u>£50,000</u>	<u>£35,216</u>	<u>£17,297</u>	<u>£102,513</u>
<b>Company</b>				
At 31st March 2004 and 31st March 2005	<u>£50,000</u>	<u>—</u>	<u>—</u>	<u>50,000</u>

### 19. Acquisitions

In January 2005, the group acquired 79% of the equity share capital and £277,200 of preference shares in Modular Automation International Limited. A summary of the net assets and liabilities arising on acquisition is set out below:-

	£
Intangible fixed assets	147,546
Tangible fixed assets	122,286
Stock and work in progress	325,564
Debtors	1,069,636
Deferred taxation	211,758
Creditors	(1,498,927)
Provisions for liabilities and charges	(48,600)
Bank Overdraft	(385,234)
Minority Interests	(348,422)
	<u>(404,393)</u>
Cash consideration - equity shares	(9,165)
Cash consideration - preference shares	(277,200)
	<u>£ 690,758</u>

### Goodwill

In April 2004, the group acquired the following assets of Midway Precision Limited:-

Goodwill	35,000
Plant and Machinery	40,000
	<u>£ 75,000</u>

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### 20. Share capital

	2005	2004
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:		
3,894,444 (2004 : 5,000,000) 'B' ordinary shares of 10p each	389,444	500,000
44,409,696 (2004 : 54,968,727) ordinary shares of 10p each	4,440,970	5,496,873
	<u>£4,830,414</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.

	Called up share capital	Capital redemption reserve	Investment in own shares	Revaluation reserves
	£	£	£	£
<b>Group</b>				
At 31st March 2004	5,996,873	—	—	2,377,481
Investment in own shares	—	—	(274,084)	—
Cancellation of shares	(1,166,459)	1,166,459	—	—
Acquisition (note 19)	—	—	—	—
Transfer	—	—	—	(699,715)
Retained loss	—	—	—	—
Exchange rate adjustments	—	—	—	27,285
At 31st March 2005	<u>£4,830,414</u>	<u>£1,166,459</u>	<u>£(274,084)</u>	<u>£1,705,051</u>

	Other reserves	Profit and loss account	Minority interest	Total
	£	£	£	£
<b>Group</b>				
At 31st March 2004	501,060	1,252,069	33,859	10,161,342
Investment in own shares	—	(695,741)	—	(969,825)
Cancellation of shares	—	—	—	—
Acquisition (note 19)	—	—	348,422	348,422
Transfer	—	699,715	—	—
Retained loss	—	(781,439)	(12,408)	(793,847)
Exchange rate adjustments	114,780	62,730	798	205,593
At 31st March 2005	<u>£615,840</u>	<u>£537,334</u>	<u>£370,671</u>	<u>£8,951,685</u>

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	Called up share capital £	Capital redemption reserve £	Investment in own shares £	Revaluation reserve £	Profit and loss account £	Total £
<b>Company</b>						
At 31st March 2004	5,996,873	—	—	687,424	982,351	7,666,648
Investment in own shares	—	—	(274,084)	—	(695,741)	(969,825)
Cancellation of shares	(1,166,459)	1,116,459	—	—	—	—
Transfer	—	—	—	(687,424)	687,424	—
Retained Loss	—	—	—	—	(404,616)	(404,616)
At 31st March 2005	<u>£4,830,414</u>	<u>£1,116,459</u>	<u>£(274,084)</u>	<u>—</u>	<u>£569,418</u>	<u>£6,292,207</u>

	2005 £	2004 £
<b>22. Reconciliation of movements in shareholders' funds</b>		
(Loss) retained for year	(781,439 )	( 1,619,498)
Investment in own shares	(969,825 )	—
Exchange rates adjustments	204,795	264,397
Net movements in shareholders' funds	(1,546,469 )	(1,355,101)
Funds at: 31st March 2004 brought forward	10,127,483	11,482,584
31st March 2005 carried forward	<u>£8,581,014</u>	<u>£10,127,483</u>

### 23. Earnings and net assets per share

The calculation of earnings per share is based on the loss for the year divided by the weighted average number of shares excluding own shares held.

The net assets per share is based on 43,473,727 (2004: 59,968,727) ordinary and 'B' ordinary shares of 10p each in issue excluding own shares held. There are no share options, convertible equity or debt instruments in issue.

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

Operating (loss)	( 1,049,344 )	( 1,152,903 )
Non cash items:		
Goodwill amortisation	35,947	
Depreciation	264,176	258,323
Impairment to fixed asset		100,968
(Profit) loss on sale of tangible fixed assets	( 20,929)	1,290
(Profit) on sale of investments	(452,432 )	( 90,069)
Provision against cost of investments	166,863	(245,885 )
Exchange rate adjustments	114,403	606,910
Movements in working capital:		
(Increase) in stock and work in progress	(337,135)	(30,125)
Decrease (increase) in debtors	286,423	(313,232)
(Decrease) in creditors	(146,580)	( 45,932 )
Restructuring costs	(284,003)	—
Net cash (outflow) from operating activities	<u>£ (1,422,611)</u>	<u>£(908,655)</u>

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

	2004 £	Cash flow £	Exchange rate adjustments £	2005 £
Cash and bank overdrafts	(1,249,337)	537,685	(4,285)	(715,937)
Liquid resources	<u>498,272</u>	<u>395,598</u>	<u>(1,032)</u>	<u>892,838</u>
	(751,065)	933,283	(5,317)	176,901
Other loans due within one year	(888,012)	79,626	—	(808,386)
Finance leases	—	(114,920)	—	(114,920)
Bank loans due after more than one year	<u>(393,756)</u>	<u>68,738</u>	<u>(7,319)</u>	<u>(332,337)</u>
Net funds/(debt)	£ <u>(2,032,833)</u>	£ <u>966,727</u>	£ <u>(12,636)</u>	£ <u>(1,078,742)</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 16).

### 26. Contingencies and capital commitments

- 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 2005 amounted to £Nil (2004: £1,142,959). The company has also provided security for £400,000 of the bank borrowings of Modular Automation International Limited. The company borrowings are secured by a charge over for leasehold land and buildings at Alexandra Dock, Newport and certain current asset investments.
- St Georges Bay Hotel Ltd (Malta) has secured its bank borrowings up to a limit of £560,070 (2004: £549,850) by a charge over its assets. These borrowings as at 31st March 2005 amounted to £550,221 (2004: £540,838).
- 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 11 would serve no useful purpose.
- There are no capital commitments in respect of contracted expenditure (2004 : £Nil).

### 27. Post balance sheet event

In July 2005, the group disposed of the investment in its own shares held in reserves. The sale of the 4,440,969 ordinary shares of 10p each at 12.6p per share and 389,444 'B'ordinary shares of 10p each at 83.25p per share raised £883,774 before expenses. The following shares included in the above were purchased by directors:-

	Ordinary Shares	'B' Ordinary Shares
Charles H. Bailey	1,252,584	27,137
Mrs S. A. Bailey	2,022,826	309,944
T. C. Bishop	912	—
Sir William H. McAlpine	1,111	—

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### 28. Obligations under operating leases

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

	2005 £	2004 £
within one year	678	697
between one and five years	40,000	—
after five years	144,227	28,027
	<u>£184,905</u>	<u>£28,724</u>

### 29. Related Party Transactions

There are loans due to directors at 31st March 2005 of £1,293,721 (2004: £359,127). This is made up of a balance due to Mrs S. A. Bailey of £829,219 (2004: £209,127) and a balance due to Mr Charles A. Bailey of £464,502 (2004: £150,000) on which interest was charged to the profit and loss account of £4,290 and £24,453 respectively. The additional loans from the directors during the year were to finance the purchase of 15,000,000 ordinary shares and 1,495,000 'B' ordinary shares in the company.

### 30. 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:-

	2005 £	2004 £
Short-term deposits	892,838	498,272
Cash and bank overdraft	(715,937)	(1,249,337)
	176,901	(751,065)
Other loans due within one year	(808,386)	(888,012)
Finance leases	(114,920)	—
Bank loans due after more than one year	(332,337)	(393,756)
Net borrowings	(1,078,742)	(2,032,833)
Current asset investments	2,531,211	4,031,017
Other net operating assets	7,499,216	8,163,158
Total net assets	<u>£8,951,685</u>	<u>£10,161,342</u>
Net borrowings		
Dollar	131,733	56,808
Sterling	(782,793)	(1,582,243)
Other	(427,682)	(507,398)
	<u>£(1,078,742)</u>	<u>£(2,032,833)</u>
Current assets investments		
Dollar	1,527,658	2,517,546
Sterling	811,075	1,401,143
Other	192,478	112,328
	<u>£2,531,211</u>	<u>£4,031,017</u>

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

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Bank borrowings are at floating interest based on the relevant LIBOR equivalent. At 31st March 2005 the group had £1,260,070 (2004: £1,715,548) of committed facilities of which £1,029,154 (2004: £1,706,536) was utilised.

### **31. 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>		
Midway Precision Limited	100%	Engineering
Modular Automation International Limited	79%	Automation Systems
P & D Electrical Services Limited	100%	Electrical contractors
Specialist Heavy Engineers Limited	100%	Engineering
<b>Leisure:</b>		
Bay Travel Limited	100%	Travel agency
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)	100%	Agents, managers, consultants and investors

All companies are incorporated in England and Wales and operate in the United Kingdom, except where indicated above.

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## 5 YEAR STATEMENT

	— Restated —				
	2001	2002	2003	2004	2005
	£'000	£'000	£'000	£'000	£'000
Turnover	<u>4,099</u>	<u>3,042</u>	<u>3,376</u>	<u>4,633</u>	<u>6,815</u>
Operating profit (loss)	73	(3,541)	(2,622)	(1,153)	(1,049)
Exceptional items	—	—	—	—	311
Net interest receivable (payable)	<u>92</u>	<u>72</u>	<u>(37)</u>	<u>(82)</u>	<u>(129)</u>
Profit (loss) before taxation	165	(3,469)	(2,659)	(1,235)	(867)
Taxation	<u>(2)</u>	<u>(35)</u>	<u>195</u>	<u>(385)</u>	<u>73</u>
Profit (loss) after taxation	163	(3,504)	(2,464)	(1,620)	(794)
Minority interests	<u>(3)</u>	<u>—</u>	<u>2</u>	<u>—</u>	<u>13</u>
Profit (loss) for year	160	(3,504)	(2,462)	(1,620)	(781)
Dividends	<u>(150)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit (loss) retained	10	(3,504)	(2,462)	(1,620)	(781)
Fixed assets	<u>9,440</u>	<u>9,327</u>	<u>8,660</u>	<u>8,280</u>	<u>8,216</u>
Net current assets	7,183	4,694	3,611	2,325	1,234
Non current liabilities	(397)	(813)	(757)	(444)	(498)
Net assets	<u>16,226</u>	<u>13,208</u>	<u>11,514</u>	<u>10,161</u>	<u>8,952</u>
Earnings per share	(0.27p)	(5.84p)	(4.11p)	(2.70p)	(1.54p)
Net assets per share	27.06p	22.03p	19.20p	16.94p	20.59p

