

C.H.Bailey, Plc

Proposed capital reorganisation

Introduction

The Independent Directors of C.H.Bailey, Plc (“C.H. Bailey” or the “Company”) announce proposals for the reorganisation of the share capital of the Company (the “Restructuring Proposals”).

C.H. Bailey currently has in issue two different classes of ordinary shares, being the Ordinary Shares of 10 pence each and the “B” Ordinary Shares of 10 pence each. Both classes of shares have been admitted to trading on AIM. In the event of any vote by poll at any general meeting of the Company, the “B” Ordinary Shares have 100 votes per share, whilst the Ordinary Shares have one vote per share. The voting rights are therefore currently concentrated among the small group of Shareholders holding the “B” Ordinary Shares, despite the fact that they hold less than 10% of the Company’s issued share capital.

The Independent Directors consider that it is in the best interests of the Company’s long term development as a public quoted company to trade with one class of shares carrying the same votes. The Restructuring Proposals will, if approved by Shareholders, result in the conversion of both classes of shares into a single class of New Ordinary Shares with equal voting rights. The Restructuring Proposals will also reduce the number of Shareholders, achieving cost savings for the Company whilst at the same time returning value, free from transaction costs, to holders of small numbers of Shares.

The Company is today publishing a circular giving further information on the Restructuring Proposals, explaining why the Independent Directors are recommending Shareholders to vote in favour of the Restructuring Proposals and convening the necessary meetings at which shareholder approval will be sought to enable the Restructuring Proposals to be implemented.

Background to and reasons for the Restructuring Proposals

C.H. Bailey currently has in issue 44,409,696 Ordinary Shares and 3,894,444 “B” Ordinary Shares. The directors have, for some time now, been considering whether to reorganise the existing capital into a single class of shares. They have concluded that reorganisation of the share capital, involving an equalisation of the voting rights of the Ordinary Shares and the “B” Ordinary Shares, is important and desirable for the following reasons:

- A single class of Shares carrying equal voting rights should improve the liquidity and marketability of the Shares;
- Ordinary shares which carry unequal voting rights are now very rare in public companies. In the future, the Company may wish to attract institutional

investors and the directors have been advised that such investors find such share structures unattractive;

- A simplified share structure will provide increased market transparency and help create a stronger platform for future development;
- The restructuring will provide holders of small numbers of Shares with the opportunity to receive a cash sum for their Shares without their having to incur the disproportionate dealing and administration costs relating to a sale. A reduction in the large Shareholder base and the creation of a single class of Shares will also reduce the Company's servicing costs;
- The restructuring may reduce the volatility of the Company's share price. Under the existing structure, small trades can cause disproportionately large price fluctuations.

The Restructuring Proposals

The proposals are that:

- Ordinary Shares will be consolidated into Consolidated Shares and Deferred Shares on the basis that every 1,250 Ordinary Shares become one Consolidated Share and 1,125 Deferred Shares;
- "B" Ordinary Shares will be consolidated into Consolidated Shares on the basis that every 125 "B" Ordinary Shares become one Consolidated Share;
- All of the resulting Consolidated Shares will be subdivided into New Ordinary Shares (the "Subdivision") at the rate of 125 New Ordinary Shares for each Consolidated Share, each New Ordinary Share having one vote.

To arrive at the differing conversion ratios for the Ordinary Shares and the "B" Ordinary Shares, the Independent Directors have taken a number of factors into consideration. It is customary to examine the premium that the market has historically placed on the enhanced voting rights of the "B" Ordinary Shares and the Independent Directors have given particular consideration to the average level of this premium in the period since the Company's admission to AIM in August 2004.

The Independent Directors are further proposing that the restructuring be carried out in such a way as to reduce the number of Shareholders. The Company currently has just over 4,800 Shareholders. The Independent Directors believe that many Shareholders with small holdings may have considered selling their Shares but have decided not to do so in the light of disproportionate dealing and administration costs relating to such a sale. They also believe that it is not in the Company's best interests to continue to bear the costs of servicing such a large Shareholder base.

It is proposed, therefore, that the minimum threshold for entitlement to receive Consolidated Shares should be 1,250 Ordinary Shares or 125 "B" Ordinary Shares. As a consequence, if a Shareholder holds less than 1,250 Ordinary Shares or less than 125 "B" Ordinary Shares at the Record Date, he or she will not receive any Consolidated Shares but will be entitled to a fractional entitlement to a Consolidated Share which will be aggregated with other such fractional entitlements and sold on his or her behalf. To ensure that the fractional entitlements to Consolidated Shares are sold and that the sale costs are kept as low as possible, the Company will itself purchase those fractional entitlements. This will return value, free from transaction costs, to smaller Shareholders and will benefit the Company by reducing the costs of

servicing a large shareholder base. The Consolidated Shares so repurchased will be subdivided into New Ordinary Shares and held in treasury.

Where the Subdivision results in a Shareholder being entitled to a fraction of a New Ordinary Share, such fractional entitlement will be aggregated with other such fractional entitlements and sold by the Company on the Shareholder's behalf. With a view to ensuring the sale of all such fractional entitlements, the Company itself will purchase the New Ordinary Shares arising from such fractional entitlements and will hold the New Ordinary Shares in treasury.

The price at which fractional entitlements to Consolidated Shares and New Ordinary Shares are repurchased by the Company will be calculated by reference to the market capitalisation of the Company at the close of business on 3 March 2006, this being the latest practicable date prior to the posting of the Circular setting out the Restructuring Proposals. This equates to £163.32 for each Consolidated Share and £1.31 for each New Ordinary Share. Where a Shareholder is entitled to an amount which is less than £3, then the amount will not be distributed but will be retained for the benefit of the Company.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Alternative Investment Market. No application will be made for the Deferred Shares to be admitted to trading.

Deferred Shares

The creation of the Deferred Shares arises from the Ordinary Shares being consolidated into Consolidated Shares at a lower ratio than the "B" Ordinary Shares, and the requirement under the Companies Act to maintain the nominal value of the Company's called up share capital. The Deferred Shares will effectively have no value, they will not be admitted to trading on AIM and the Company will buy them back for a nominal consideration and cancel them.

Share capital following implementation of the Restructuring Proposals

If the Restructuring Proposals are approved, the issued share of the Company will, following their implementation and the repurchase and cancellation of the Deferred Shares, comprise approximately 8,335,400 New Ordinary Shares, of which approximately 142,650 New Ordinary Shares will be held in treasury.

Related party

Mrs S A Bailey currently holds 45.6% of the issued Ordinary Shares and 79.6% of the issued "B" Ordinary Shares. Mrs S A Bailey is a director of the Company and a Shareholder of more than 10% of the issued share capital of both classes. For the purposes of these Restructuring Proposals, she is deemed to be a related party and consequently interested in them. Mrs Bailey will therefore not make any recommendation to Shareholders in relation to the Restructuring Proposals, which have been considered and are being recommended by the other Directors (the "Independent Directors").

Current trading and future prospects

On 22 December 2005, the Group announced its interim results for the six months ended 30 September 2005. In the period since 30 September 2005 the Group has continued to trade in accordance with expectations as outlined in the interim announcement.

As announced in the interim statement, the Group continues to progress the proposed office complex development in Dar es Salaam, Tanzania, and is currently in the process of negotiating local bank finance for the development. As announced by the Company in a further statement on 27 February 2006, the financiers require security over the Group's Oyster Bay Hotel, and have requested a professional valuation of the property. This has now been completed, and indicates a value for the hotel of US\$4.5m (£2.6m at current rates of exchange). As at 31 March 2005 the valuation of the Tanzanian investment was reported in the Company's accounts as £1,245,000.

Shareholder Meetings

The Restructuring Proposals must be approved by an Extraordinary General Meeting of the Company and by the Shareholders of each class of Shares in separate General Meetings. The resolutions proposed at each meeting require the support of not less than 75% of the persons attending in person or by proxy and entitled to vote at each meeting.

In order to effect the Restructuring Proposals, certain changes will be needed to the Articles of Association of the Company to:

- give the Directors more flexibility to deal with fractional entitlements;
- permit the creation of the New Ordinary Shares; and
- delete all references to two classes of Shares and to the specific rights attached to the Ordinary Shares and the "B" Ordinary Shares.

Resolutions to effect these changes will be proposed at the Extraordinary General Meeting.

Expected timetable of principal events

31 March 2006	Record date
	Extraordinary General Meeting and Class Meetings of Ordinary and "B" Ordinary shareholders
	Last day for dealings in existing Ordinary Shares and "B" Ordinary Shares
3 April 2006	New Ordinary Shares commence trading on AIM.

Note: words and expressions as defined in the circular to Shareholders shall, unless the context requires otherwise, have the same meaning in this announcement.

Further information:

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