

C. H. BAILEY PLC

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

C. H. BAILEY PLC

NOTICE OF MEETING

Notice is hereby given that the eighty-third annual general meeting of C.H. Bailey Plc will be held at Newport Rugby Football Club, Rodney Parade, Newport, NP19 0UU on 15th November 2006 at 11.00 a.m for the following purposes:

As **Ordinary Business**

1. To receive and adopt the report of directors and the audited financial statements for the year ended 31st March 2006.
2. To re-appoint the auditors and authorise the directors to determine their remuneration.
3. To re-elect as director Mr T.C. Bishop who retires by rotation and, being eligible, offers himself for re-election.
4. To transact any other ordinary business of an annual general meeting.

Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, only shareholders entered on the register at the close of business on 13th November 2006 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.
22nd September 2006

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 the 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 AND FINANCIAL RESULTS YEAR ENDED 31ST MARCH 2006

Overview	2005/6	2004/5	2003/4	2002/3
	£	£	£	£
Turnover – continuing operations	11,334,385	6,614,785	4,633,070	3,376,000
Increase in turnover %	71.35%	42.77%	37.23%	
Gross profit – continuing operations	2,371,942	764,697	342,853	20,070
Gross profit as % of turnover	20.93%	11.56%	7.40%	0.60%
Trading (loss) – continuing operations	(1,114,684)	(1,394,797)	(1,732,055)	(1,568,157)
Trading (loss) as % of turnover	(9.84%)	(21.09%)	(37.39%)	(46.45%)
Operating (loss) – continuing operations	(1,115,782)	(941,088)	(977,925)	(2,622,000)
Operating (loss) as % of turnover	(9.85%)	(14.23%)	(21.11%)	(77.67%)
Loss per share	(15.24p)	(9.87p)	(19.44p)	(29.54p)

Financial Highlights

- Turnover and gross profit margin increased
- Trading loss decreased

Restructuring Highlights

- Merger of 2 classes of shares finalised
- Completion of planned capital restructuring

Although disappointed with the financial results, I am encouraged by the underlying trends such as, the increase in turnover of some £4.7M and increase in the gross profit margin of 81% coupled with a reduction in the trading loss over the previous year. Our forecasts for 2006/7 show further improvements, which I believe can and will be achieved.

The company has now completed the planned capital restructuring. This has taken considerable time, effort and cost. I am positive that the move to one class of share is already providing increased transparency and a more balanced market place for the shares.

UK Trading

These accounts now show the value of the investment in Modular Automation International Limited. For the full year, Modular has traded profitably and there are encouraging signs for the future. Bay Travel Limited also increased its profits and both Midway Precision Limited and Specialist Heavy Engineers Limited turned losses into near breakeven positions. However, P&D Electrical Services Limited unfortunately had further losses, which have impacted on the performance of the UK trading position.

Overseas Trading

Although turnover has decreased at the hotel in Malta profits increased as a result of improved controls. The Maltese Government has finally released the 'North Harbour Local Plan' (NHLP), which is the master development plan for the local area and discussions with planners have been progressing. We have also met with third parties, who have shown an interest in either financing any development or entering into a joint venture.

In the most part the NHLP encompasses the outline plan we have submitted to the government planners for the development of the property. This outline plan has retail, commercial, residential and hotel accommodation of some 38,000 square metres. When the necessary planning permits are issued, we will be able to proceed to the next stage of the development.

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CHAIRMAN'S STATEMENT AND FINANCIAL RESULTS YEAR ENDED 31ST MARCH 2006

In Tanzania, Beho Beho, the safari camp in the Selous Game Reserve has exceeded all forecasts in revenue and occupancy and this year looks to better last year. Mikumi Wildlife Camp and the Oyster Bay Hotel shopping complex have both increased revenues and contributed to profits, with Mikumi Wildlife Camp increasing revenues and occupancy by over 20%. During the year, the hotel in Dar es Salaam closed for refurbishment and work has now started to demolish the old fire damaged building in order to clear the site for redevelopment.

Balance Sheet

You will note that during the course of the year, there has been little change in the balance sheet totals. This is largely due to the trading losses being offset by new requirements to carry investments available for sale at market value, as well as the company selling Treasury shares in its open offer to shareholders.

Investments

For the most part, the investments performed well. The investments are broadly spread across Bonds, Hedge Funds and Stocks, the value of which continue to increase despite global market volatility.

Future

I am encouraged with the current levels of trading. We are continuing to focus on our margins and overheads, following the diversification, repositioning and restructuring of the group with the aim of returning the group to profitability.

Finally, I would like to thank the management, staff and our advisors for their continued efforts.

Charles H.Bailey

Chairman

22nd September 2006

www.CHBaileyplc.co.uk

C. H. BAILEY PLC

REPORT OF THE DIRECTORS YEAR ENDED 31ST MARCH 2006

The directors submit their report and accounts for the year ended 31st March 2006.

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 the operation of hotels. The loss on these various activities which is attributable to the shareholders amounted to £1,228,706 (2005:loss £781,439).

A review of the group's business, development and prospects can be found in the chairman's statement on pages 3 and 4.

Dividend

The directors do not recommend the payment of a final dividend in respect to the year ended 31st March 2006 (2005:£Nil).

Change 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.

In the directors' opinion, the market value of freehold land and buildings is in excess of £15,000,000, and leasehold land and buildings is in excess of £4,000,000.

Acquisitions

There were no acquisitions during the year.

Consolidation and purchase of own shares

At the extraordinary general meeting held on 31st March 2006 the following capital reorganisation was approved:-

- every 1,250 ordinary shares were consolidated in to 1 consolidated share of £12.50 and 1,125 deferred shares of 10 pence each which were subsequently cancelled;
- the "B" ordinary shares were consolidated into 1 consolidated share of £12.50 for every 125 "B" ordinary shares;
- the resultant consolidated shares were subdivided into 125 new ordinary shares of 10 pence each, each having one vote;
- the company purchased and retained as treasury shares 142,434 new ordinary shares.

During the previous year, the company purchased and cancelled 10,559,031 ordinary shares and 1,105,565 "B" ordinary shares at a cost of £695,741 and 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. The treasury shares were sold in July 2005 realising £883,774 before expenses.

Post Balance sheet event

There have been no post balance sheet events requiring disclosure.

Directors

The board of directors on 31st March 2006 consisted of Charles H. Bailey, Mrs S.A. Bailey, T.C. Bishop and Sir W.H. McAlpine.

The director retiring by rotation is T.C. Bishop, who, being eligible, offers himself for re-election.

No director had, in the financial year to 31st March 2006, 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 the former managing director of Bristol Channel Ship Repairers Plc.

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REPORT OF THE DIRECTORS YEAR ENDED 31ST MARCH 2006

Sir W. H. McAlpine has been a director of Sir Robert McAlpine Limited, building and 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 J. M. Ganado is a leading lawyer and very well respected member of the Maltese community.

Dr A. Galea, FHCIMA, has extensive experience of the hotel business in Malta including acting as advisor to the National Tourist Board of Malta.

Interests in the capital of the group

(a) Directors

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

		22 nd September 2006	31 st March 2006	31 st July 2005	31 st March 2005
Charles H. Bailey	ordinary shares	-	-	1,745,323	492,739
	“B” ordinary shares	-	-	170,637	143,500
	new ordinary shares	345,169	345,169	-	-
Mrs S. A. Bailey	ordinary shares	-	-	20,228,260	18,205,434
	“B” ordinary shares	-	-	3,099,444	2,789,500
	new ordinary shares	5,122,269	5,122,269	-	-
T. C. Bishop	ordinary shares	-	-	9,123	8,211
	new ordinary shares	912	912	-	-
Sir William H. McAlpine	ordinary shares	-	-	11,111	10,000
	new ordinary shares	1,111	1,111	-	-

(b) Substantial shareholdings

The directors have been advised of the following shareholdings:

P. S. Allen	“B” ordinary shares	-	-	408,669	360,427
	new ordinary shares	441,169	408,669	-	-

Charitable and political contributions

During the year the group made no contributions of a charitable or political nature (2005:£Nil).

Employees

The group is an equal opportunities employer. The group also makes every reasonable effort to give disabled applicants and existing employees, becoming disabled, equal opportunities for work having regard to their individual aptitudes and abilities.

Employee reporting and involvement

The group recognises the need to ensure effective communications with employees to encourage involvement in the group’s performance. Policies and procedures have been developed to achieve a common awareness of factors affecting the performance of the group in which many employees are shareholders.

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REPORT OF THE DIRECTORS YEAR ENDED 31ST MARCH 2006

Suppliers

The group agrees payment terms with suppliers prior to placing business. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has supplied the goods or services in accordance with the agreed terms and conditions.

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

In the opinion of the directors the company is, at the accounting date and the date of this report, a close company within the terms of the Income and Corporation Taxes Act 1988.

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations. United Kingdom company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit and loss of the group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and 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 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 Limited are willing to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

Newport, South Wales
22nd September 2006

By order of the board
B.J. Warren
Secretary

C. H. BAILEY PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C.H.BAILEY PLC YEAR ENDED 31ST MARCH 2006

We have audited the group and individual company financial statements of C.H. Bailey Plc for the year ended 31st March 2006 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated cashflow statement, the consolidated statement of total recognised gains and losses and the related notes.

These financial statements have been prepared under the accounting policies set out therein.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for 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

As described in the statement of directors' responsibilities, the directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and international standards on auditing (UK and Ireland).

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 international standards on auditing 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 the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and the group as at 31st March 2006 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
22nd September 2006

WALTER HUNTER & CO LIMITED
Chartered Accountants and
Registered Auditors

C. H. BAILEY PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT YEAR ENDED 31st MARCH 2006

	Notes	2006 Continuing £	Continuing operations £	2005 Discontinued operations £	Total £
Turnover	1	11,334,385	6,614,785	199,936	6,814,721
Cost of sales		(8,962,443)	(5,850,088)	(272,043)	(6,122,131)
Gross profit (loss)		2,371,942	764,697	(72,107)	692,590
Administrative expenses	5	(3,486,626)	(2,159,494)	(36,149)	(2,195,643)
Trading (loss)		(1,114,684)	(1,394,797)	(108,256)	(1,503,053)
Investment activities and other income	2	(1,098)	453,709	-	453,709
Operating (loss)		(1,115,782)	<u>(941,088)</u>	<u>(108,256)</u>	(1,049,344)
Exceptional items					
Profit on disposal of fixed assets		-			594,719
Restructuring costs		(144,340)			<u>(284,003)</u>
(Loss) on ordinary activities before interest		(1,260,122)			(738,628)
Interest receivable	3	21,184			42,583
Interest payable	4	(127,743)			<u>(171,234)</u>
(Loss) on ordinary activities before taxation	5	(1,366,681)			(867,279)
Taxation	6	188,302			<u>73,432</u>
(Loss) on ordinary activities after taxation		(1,178,379)			(793,847)
Minority interest		(50,327)			12,408
(Loss) for the financial year	20	(1,228,706)			<u><u>(781,439)</u></u>
Earnings per share from total operating results	23	(15.24p)			(9.87p)
Earnings per share from continuing operations	23	(15.24p)			(12.43p)

C. H. BAILEY PLC

BALANCE SHEETS AS AT 31st MARCH 2006

	Notes	Group		Company	
		2006	2005 (as restated)	2006	2005 (as restated)
		£	£	£	£
Fixed Assets					
Intangible assets	10	761,319	857,357	-	7,500
Tangible assets	11	7,512,405	7,358,426	5,698	13,583
Investments	12	-	-	8,201,632	8,201,632
		8,273,724	8,215,783	8,207,330	8,222,715
Current assets					
Stock and work in progress	13	402,154	771,957	-	-
Debtors	14	4,552,212	2,429,646	3,047,072	2,681,419
Investments	15	2,402,750	2,763,446	931,925	790,146
Cash at bank and in hand		279,552	873,718	585,958	726,372
		7,636,668	6,838,767	4,564,955	4,197,937
Creditors: amounts falling due within one year	16	6,064,838	5,372,877	5,205,563	5,935,490
Net current assets (liabilities)		1,571,830	1,465,890	(640,608)	(1,737,553)
Total assets less current liabilities		9,845,554	9,681,673	7,566,722	6,485,162
Creditors: amount falling due after more than one year	17	893,444	925,420	-	-
Provision for liabilities and charges	18	245,608	102,513	210,488	50,000
Net assets		8,706,502	8,653,740	7,356,234	6,435,162
Financed by:					
Capital and reserves	20				
Called up share capital	19	833,541	4,830,414	833,541	4,830,414
Share premium account		609,690	-	609,690	-
Capital redemption reserve		5,163,332	1,166,459	5,163,332	1,166,459
Investment in own shares		(187,528)	(274,084)	(187,528)	(274,084)
Revaluation reserve		1,717,035	1,705,051	-	-
Other reserves		743,143	615,840	-	-
Investment revaluation reserve		707,854	232,235	309,495	142,955
Profit and loss account		(771,780)	537,334	627,704	569,418
Equity shareholders' funds		8,815,287	8,813,249	7,356,234	6,435,162
Minority interest		(108,785)	(159,509)	-	-
		8,706,502	8,653,740	7,356,234	6,435,162
Net assets per share	23	£1.06	£1.15		

These financial statements were approved by the board of directors on 22nd September 2006 and were signed on its behalf by:

CHARLES H. BAILEY, Director

10 The comparative figures have been restated due to the full adoption of FRS 25, FRS 26 and UITF 40.

The accounting policies and notes on pages 13 to 29 form part of these accounts.

C. H. BAILEY PLC

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31st MARCH 2006

	Notes	2006		2005	
		£	£	£	£
Net cash (outflow) from operating activities	24		(315,452)		(1,422,611)
Return on investments and servicing of finance					
Interest received		21,184		42,583	
Interest paid		<u>(127,743)</u>		<u>(171,234)</u>	
			(106,559)		(128,651)
Taxation			(6,821)		(4,945)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(358,371)		(544,665)	
Sale of tangible fixed assets		15,257		2,044,054	
Sale of intangible fixed assets		<u>7,500</u>		<u>-</u>	
			(335,614)		1,499,389
Acquisitions					
Purchase of Modular Automation International Limited		-		(286,365)	
Overdraft acquired from Modular Automation International Limited		-		(385,234)	
Other goodwill acquired		<u>-</u>		<u>(55,000)</u>	
			-		(726,599)
Cash (outflow) before use of liquid resources and financing			(764,446)		(783,417)
Equity dividends paid			-		-
Management of liquid resources					
Purchase of investments		(318,083)		(1,411,322)	
Sale of investments		1,048,299		3,196,697	
Movement in short term deposits		<u>387,822</u>		<u>(395,598)</u>	
			1,118,038		1,389,777
Financing					
Sale of investment in own shares		696,246		(969,825)	
Directors loans		(711,991)		934,594	
Movement in other loans due within one year		(78,732)		(79,626)	
Movement in bank loans due after more than one year		(25,536)		(68,738)	
Capital element of finance leases		<u>(20,020)</u>		<u>114,920</u>	
			(140,033)		(68,675)
Increase in cash in the year	25		<u><u>213,559</u></u>		<u><u>537,685</u></u>

C. H. BAILEY PLC

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31st MARCH 2006

	2006	2005 (as restated)
	£	£
(Loss) for the financial year	(1,228,706)	(781,439)
Revaluation of investments held for resale	475,619	-
Exchange rate adjustments	58,879	204,795
Total recognised (loss) for the year	<u>(694,208)</u>	<u>(576,644)</u>
Revaluation of investments held for resale - prior year adjustment	232,235	-
Total recognised (loss) since last annual report	<u>(461,973)</u>	<u>(576,644)</u>
Purchase of investment in own shares	(187,528)	-
Sale of investment in own shares	883,774	(969,825)
Net movement in shareholders' funds	<u>234,273</u>	<u>(1,546,469)</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.

12 The comparative figures have been restated due to the full adoption of FRS 25, FRS 26 and UITF 40.

The accounting policies and notes on pages 13 to 29 form part of these accounts.

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets and financial instruments and in accordance with applicable United Kingdom Accounting Standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the following standards which have been adopted for the first time:

- FRS 17 retirement benefits
- FRS 21 events after the balance sheet date
- FRS 22 earnings per share
- FRS 23 effects of changes in foreign currency exchange rules
- FRS 25 financial instruments presentation and disclosure
- FRS 26 financial instruments measurement
- UITF40 revenue recognition and service contracts

The prior year impact of adopting these standards is detailed in note 21.

Basis of calculation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings, all of which have been made up to 31st March 2006.

Turnover

Turnover represents the total amount receivable by the group companies excluding value added taxation and equivalent taxes in the ordinary course of business for services provided and goods supplied to third party customers. In respect of long term contracts and contracts for on-going services, turnover represents the value of work done in the year by reference to the stage of completion including estimates of amounts not invoiced.

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.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets at the date of acquisition. Goodwill arising on acquisitions is capitalised and amortised over its estimated useful economic life. Goodwill is reviewed for impairment at least annually and any impairment is recognised immediately in the profit and loss account.

Fixed assets

Depreciation of tangible fixed assets is provided where it is necessary to reflect a reduction from the 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 life. Freehold land is not depreciated. Depreciation of other tangible fixed assets is provided on a straight line basis using the following rates:

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 comparisons of the carrying value of the asset against the higher of net realisable value and 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.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

Revaluation of fixed assets

On adoption of FRS15 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.

Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

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 where substantially all the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date, at rates expected to apply when they crystallise. Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets unless there is a binding contract to dispose of such assets. Deferred tax assets are only recognised to the extent that it is likely future taxable profits will be available to reverse the timing differences.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated in to sterling at the financial year end rates.

The results of overseas subsidiary undertakings are translated in to sterling at average rates for the year. The balance sheets of subsidiary undertakings are translated at year end rates. Differences on exchange arising from the translation of the net assets of subsidiary undertakings and foreign currency debt, financing those assets, are taken to reserves.

All other exchange differences are taken to 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.

Trade and other debtors

Debts are recognised and carried forward at invoiced amounts less appropriate allowances for doubtful debts.

Investments

Current asset investments consisting of bonds, equity shares and hedge funds which are held for resale are initially recorded at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. All purchases and sales are recognised using trade date accounting. After initial recognition, gains and losses of investments which are classified as available for sale are recognised as a separate component of equity until the investment is disposed of or until its value is impaired at which time the cumulative gain or loss is included in the profit and loss account.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

Investments (continued)

Gains or losses on fixed asset investments, which include investments in subsidiary companies, and are classified as held to maturity, are recognised in the profit and loss account when the investment is derecognised or impaired.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The effective interest method allocates the interest expense over the life of the instrument so as to reflect a constant return on the carrying amount of the liability. Borrowings include a component of deferred ordinary shares and preference shares in subsidiaries held by third parties that fall under the definition of financial liabilities.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share capital and treasury shares

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Where any group company purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or sold. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

1. Segmental information

Classes of business	Turnover £	Operating (loss) continuing operations £	Operating (loss) discontinued operations £	Net assets £
Industrial:				
2006	9,076,471	(100,485)	-	904,845
2005 (as restated)	4,551,837	(220,955)	(79,304)	998,335
Leisure:				
2006	2,239,414	(282,983)	-	6,250,112
2005 (as restated)	2,244,384	(320,942)	(28,952)	6,100,915
Agents, managers, consultants and investors:				
2006	18,500	(732,314)	-	1,551,545
2005 (as restated)	18,500	(399,191)	-	1,554,490
Total:				
2006	11,334,385	(1,115,782)	-	8,706,502
2005 (as restated)	6,814,721	(941,088)	(108,256)	8,653,740
Geographical segments				
United Kingdom:				
2006	10,227,417	(483,531)	-	1,598,584
2005 (as restated)	5,862,410	(872,405)	(108,256)	1,320,986
Malta, Tanzania and Rest of the World:				
2006	1,106,968	(632,251)	-	7,107,918
2005 (as restated)	952,311	(68,683)	-	7,332,754
Total:				
2006	11,334,385	(1,115,782)	-	8,706,502
2005 (as restated)	6,814,721	(941,088)	(108,256)	8,653,740

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

		2006		2005
		£		£
2.	Investment activities and other income			
	Income from current asset investments	105,001		168,140
	(Loss) profit on sale of current asset investments	(265,783)		452,432
	Decrease (increase) in provision on current asset investments	159,684		(166,863)
		<u>(1,098)</u>		<u>453,709</u>
3.	Interest receivable			
	Short term bank deposits	<u>21,184</u>		<u>42,583</u>
4.	Interest payable			
	Bank loans and overdrafts	49,071		91,532
	Directors' loans	34,944		28,743
	Other loans	37,631		42,181
	Finance leases	6,097		8,778
		<u>127,743</u>		<u>171,234</u>
5.	(Loss) on ordinary activities before taxation			
	In arriving at the (loss) on ordinary activities before taxation, the following amounts have been charged (credited):			
	Goodwill amortisation	88,538		35,947
	Depreciation continuing operations - owned assets	260,956		233,551
	Depreciation continuing operations - finance leased assets	9,708		8,483
	Depreciation discontinued operations	-		22,142
	(Profit) on disposal of tangible fixed assets	(6,436)		(20,929)
	Administrative expenses:			
	Directors' remuneration (note 7)	101,166		98,599
	Auditor's fees			
	- statutory audit	27,817		17,242
	- audit related services	13,633		13,070
	- tax compliance services	7,500		7,000
	- interim review	9,000		8,000
	Overseas auditors' fees			
	- statutory audit	7,904		18,800
	- audit related services	8,682		21,829

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

	2006	2005
	£	£
6. Taxation		
Current tax - overseas	6,821	4,945
Deferred tax (credit)	(195,123)	(78,377)
	(188,302)	(73,432)

The group has tax losses available from previous accounting periods.

Deferred tax

Origination and reversal of timing differences	-	-
Movement on deferred tax asset	(195,123)	(78,377)
	(195,123)	(78,377)

Factors affecting tax charge for the year

Tax on (loss) on ordinary activities before tax at 30%	(410,004)	(260,184)
Non-deductible expenses	34,470	14,897
Other timing differences	(9,830)	54,243
Deferred tax	195,123	78,377
Differences arising on overseas earnings	128,199	94,115
Differences arising on capital sales and investment income	(4,558)	(244,291)
Deferred tax on losses not recoverable	73,421	267,788
Current tax	6,821	4,945

7. Employee information

The average number of employees of the group (including directors) was as follows:

Management	19	18
Administration	37	24
Production	178	150
	234	192

Staff costs (including directors' emoluments) were as follows:

	£	£
Wages and salaries	4,083,172	2,614,561
Social security costs	391,983	259,624
Pensions (defined contribution schemes)	30,672	8,078
	4,505,827	2,882,263

The number of directors accruing retirement benefits under defined contribution schemes

	1	1
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C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

The aggregate remuneration of directors was as follows:

	Fees	Salary	Benefits	Pension contributions	Total emoluments	
					2006	2005
	£	£	£	£	£	£
Charles H. Bailey	10,000	69,640	435	-	80,075	77,772
Mrs S. A. Bailey	200	8,935	2,526	-	11,661	11,511
T. C. Bishop	4,000	-	1,430	-	5,430	5,316
Sir W. H. McAlpine	4,000	-	-	-	4,000	4,000
	18,200	78,575	4,391	-	101,166	98,599

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

8. Dividend

Interim dividend declared and paid	-	-
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9. Result for the financial year

As permitted by section 230 Companies Act 1985, the profit and loss account of the company is not presented as part of these financial statements. The consolidated loss of £1,228,706 (2005: loss £781,439) includes a profit of £58,286 (2005: loss £404,616) which is dealt with in the accounts of the company.

10. Intangible assets

Group	Goodwill £
Cost 31st March 2005	893,304
Disposals	(20,000)
At 31st March 2006	873,304
Amortisation 31st March 2005	35,947
Charge for year	88,538
Eliminated on disposals	(12,500)
At 31st March 2006	111,985
Net book value	
2006	761,319
2005	857,357
Company	
Cost 31st March 2005	20,000
Disposals	(20,000)
At 31st March 2006	-
Amortisation 31st March 2005	12,500
Charge for year	-
Eliminated on disposals	(12,500)
At 31st March 2006	-
Net book value	
2006	-
2005	7,500

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

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	-	491,037	-	491,037
At independent valuation 1978	3,382,525	-	-	3,382,525
At directors' valuation 1996	-	-	61,925	61,925
At cost	2,208,917	1,323,870	2,216,957	5,749,744
Cost or valuation 31st March 2005	5,591,442	1,972,407	2,278,882	9,842,731
Exchange rate adjustments	50,666	23,714	5,084	79,464
Additions	75,989	61,762	220,620	358,371
Disposals	-	-	(74,421)	(74,421)
At 31st March 2006	5,718,097	2,057,883	2,430,165	10,206,145
Depreciation 31st March 2005	147,423	726,758	1,610,124	2,484,305
Exchange rate adjustments	1,336	(4,362)	7,397	4,371
Charge for year	28,761	61,274	180,629	270,664
Eliminated on disposals	-	-	(65,600)	(65,600)
At 31st March 2006	177,520	783,670	1,732,550	2,693,740
Net book value				
2006	5,540,577	1,274,213	697,615	7,512,405
2005	5,444,019	1,245,649	668,758	7,358,426
Company				
At directors' valuation 1996	-	-	7,700	7,700
At cost	-	-	21,000	21,000
Cost or valuation 31st March 2005	-	-	28,700	28,700
Additions	-	-	-	-
Disposals	-	-	(21,000)	(21,000)
At 31st March 2006	-	-	7,700	7,700
Depreciation 31st March 2005	-	-	15,117	15,117
Charge for year	-	-	385	385
Eliminated on disposals	-	-	(13,500)	(13,500)
At 31st March 2006	-	-	2,002	2,002
Net book value				
2006	-	-	5,698	5,698
2005	-	-	13,583	13,583

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

	2006	2005
Cost	124,413	99,913
Accumulated depreciation	(18,190)	(8,482)
Net book value	106,223	91,431

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

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

Plant and machinery includes motor vehicles and office equipment.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

12. Fixed asset investments

	2006	2005
Company	£	£
Cost 31st March 2005	8,201,632	7,915,266
Acquisition	-	286,365
Addition	-	1
At 31st March 2006	8,201,632	8,201,632

The investments consist of subsidiary undertakings.
The principal subsidiary undertakings are shown on page 30.

13. Stock and work in progress

Group		
Stock	216,090	167,169
Work in progress	186,064	604,788
	402,154	771,957

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

	Group		Company	
	2006	2005 (as restated)	2006	2005 (as restated)
	£	£	£	£
14. Debtors				
Amounts falling due within one year:				
Trade debtors	2,832,103	1,613,152	-	-
Amounts recoverable on long term contracts	799,800	136,234	-	-
Due from subsidiary undertakings	-	-	2,596,299	2,366,378
Other debtors	66,190	55,580	28,256	20,407
Prepayments and accrued income	206,673	172,357	48,745	54,069
	3,904,766	1,977,323	2,673,300	2,440,854
Amounts falling due after more than one year:				
Deferred tax	647,446	452,323	373,772	240,565
	4,552,212	2,429,646	3,047,072	2,681,419

15. Current asset investments

Listed investments	2,259,892	2,668,246	832,325	736,126
Unlisted investments	142,858	95,200	99,600	54,020
	2,402,750	2,763,446	931,925	790,146
Listed investments market value	2,259,892	2,668,246	832,325	736,126
Unlisted investments market value	142,858	95,200	99,600	54,020

C. H. BAILEY PLC

NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

	Group		Company	
	2006	2005 (as restated)	2006	2005
	£	£	£	£
16. Creditors				
Amounts falling due within one year:				
Bank loans and overdrafts	268,326	696,817	-	-
Finance lease obligations	41,448	52,017	-	-
Trade creditors	1,744,358	1,392,527	160,169	66,188
Payments on account	1,774,886	555,104	-	-
Deferred consideration on long term contracts	-	-	-	-
Due to subsidiary undertakings	-	-	4,203,917	4,499,684
Social security and other taxes	356,928	232,086	9,730	11,368
Directors' loans	581,730	1,293,721	581,730	1,288,955
Other creditors	210,085	62,351	185,831	9,000
Accruals and deferred income	357,423	279,868	64,186	60,295
	<u>5,335,184</u>	<u>4,564,491</u>	<u>5,205,563</u>	<u>5,935,490</u>
Other loan	729,654	808,386	-	-
	<u><u>6,064,838</u></u>	<u><u>5,372,877</u></u>	<u><u>5,205,563</u></u>	<u><u>5,935,490</u></u>

The other loan is in respect of a related company, Equity Involvement Trust Limited. During the year, interest payable on the loan of £37,631 (2005: £42,181) was charged to the profit and loss account.

17. Creditors

Amounts falling due after more than one year:

Bank loans	309,812	332,337	-	-
Finance lease obligations	53,452	62,903	-	-
Cumulative preference shares	530,180	530,180	-	-
	<u>893,444</u>	<u>925,420</u>	<u>-</u>	<u>-</u>

Bank loans

In more than one year but not more than two years	66,795	50,289	-	-
In more than two years but not more than five years	188,608	169,304	-	-
In more than five years	54,409	112,744	-	-
	<u>309,812</u>	<u>332,337</u>	<u>-</u>	<u>-</u>

Finance lease obligations

In more than one year but not more than two years	29,575	22,145	-	-
In more than two years but not more than five years	23,877	40,758	-	-
	<u>53,452</u>	<u>62,903</u>	<u>-</u>	<u>-</u>

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

18. Provisions for liabilities and charges

	Insurance £	Legal £	Losses on long term contracts £	Warranty £	Total £
Group					
At 31st March 2005	-	50,000	35,216	17,297	102,513
Transfer to profit and loss account	102,988	57,500	(27,141)	9,748	143,095
At 31st March 2006	102,988	107,500	8,075	27,045	245,608
Company					
At 31st March 2005	-	50,000	-	-	50,000
Transfer to profit and loss account	102,988	57,500	-	-	160,488
At 31st March 2006	102,988	107,500	-	-	210,488

19. Share capital

	2006 £	2005 £
Authorised:		
60,000,000 new ordinary shares of 10p each	6,000,000	-
5,000,000 "B" ordinary shares of 10p each	-	500,000
54,968,727 ordinary shares of 10p each	-	5,496,873
31,274 unclassified shares of 10p each	-	3,127
	6,000,000	6,000,000
Issued and fully paid:		
8,335,414 new ordinary shares of 10p each	833,541	-
3,894,444 "B" ordinary shares of 10p each	-	389,444
44,409,696 ordinary shares of 10p each	-	4,440,970
	833,541	4,830,414

The capital reduction arose from the capital reorganisation on 31st March 2006 in which:
 Every 1,250 ordinary shares were consolidated into 1 consolidated share of £12.50 and 1,125 deferred shares of 10 pence each which were subsequently cancelled;
 The "B" ordinary shares were consolidated into 1 consolidated share of £12.50 for every 125 "B" ordinary shares;
 The resultant consolidated shares were subdivided into 125 new ordinary shares of 10 pence each, each having one vote;
 The company purchased and retained as treasury shares 142,434 new ordinary shares of 10 pence each.

Prior to the capital reorganisation, holders of 10p "B" ordinary shares ranked *pari passu* with the holders of 10p ordinary shares in all matters other than voting rights. Each "B" share entitled its holder to one hundred votes and each ordinary share to one vote.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

20. Reserves

Group	Called up share capital	Share premium account	Capital redemption reserve	Investment in own shares	Revaluation reserve	Other reserves	Investment revaluation reserve	Profit and loss account	Minority interest	Total
	£	£	£	£	£	£	£	£	£	£
At 31st March as previously reported	4,830,414	-	1,166,459	(274,084)	1,705,051	615,840	-	537,334	370,671	8,951,685
Prior year adjustments	-	-	-	-	-	-	232,235	-	(530,180)	(297,945)
At 31st March 2005 restated	4,830,414	-	1,166,459	(274,084)	1,705,051	615,840	232,235	537,334	(159,509)	8,653,740
Purchase of investment in own shares	-	-	-	(187,528)	-	-	-	-	-	(187,528)
Sale of investment in own shares	-	883,774	-	-	-	-	-	-	-	883,774
Cancellation of shares	(3,996,873)	-	3,996,873	-	-	-	-	-	-	-
Revaluation of investments	-	-	-	-	-	-	475,619	-	-	475,619
Transfer	-	(274,084)	-	274,084	(1,565)	-	-	1,565	-	-
(Loss) for the financial year	-	-	-	-	-	-	-	(1,228,706)	50,327	(1,178,379)
Exchange rate adjustments	-	-	-	-	13,549	127,303	-	(81,973)	397	59,276
At 31st March 2006	833,541	609,690	5,163,332	(187,528)	1,717,035	743,143	707,854	(771,780)	(108,785)	8,706,502
Company										
At 31st March as previously reported	4,830,414	-	1,166,459	(274,084)	-	-	-	569,418	-	6,292,207
Prior year adjustments	-	-	-	-	-	-	142,955	-	-	142,955
At 31st March 2005 restated	4,830,414	-	1,166,459	(274,084)	-	-	142,955	569,418	-	6,435,162
Purchase of investment in own shares	-	-	-	(187,528)	-	-	-	-	-	(187,528)
Sale of investment in own shares	-	883,774	-	-	-	-	-	-	-	883,774
Cancellation of shares	(3,996,873)	-	3,996,873	-	-	-	-	-	-	-
Revaluation of investments	-	-	-	-	-	-	166,540	-	-	166,540
Transfer	-	(274,084)	-	274,084	-	-	-	-	-	-
(Loss) for the financial year	-	-	-	-	-	-	-	58,286	-	58,286
At 31st March 2006	833,541	609,690	5,163,332	(187,528)	-	-	309,495	627,704	-	7,356,234

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

21. Prior year adjustments

There is no impact on the group's current year profit and loss account of adopting the following:

FRS 17	retirement benefits
FRS 21	events after the balance sheet date
FRS 22	earnings per share
FRS 23	effects of changes in foreign currency exchange rates
FRS 25	financial instruments presentation and disclosure
FRS 26	financial instruments measurement
UITF 40	revenue recognition and service contracts

The balance sheet as at 31st March 2005 has been restated as follows:

Revaluation of investments held for resale	£ 232,235
Cumulative preference shares transferred from capital and reserves to creditors falling due after more than one year	£(530,180)

	2006	2005
22. Reconciliation of movement in shareholders' funds		(as restated)
	£	£
(Loss) for the financial year	(1,228,706)	(781,439)
Revaluation of investments held for resale	475,619	-
Exchange rate adjustment	58,879	204,795
Total recognised (loss) for the year	(694,208)	(576,644)
Revaluation of investments held for resale - prior year adjustment	232,235	-
Total recognised (loss) since last annual report	(461,973)	(576,644)
Purchase of investment in own shares	(187,528)	-
Sale of investment in own shares	883,774	(969,825)
Net movement in shareholders' funds	234,273	(1,546,469)
At 31st March 2005 as previously reported	8,581,014	10,127,483
At 31st March 2006	<u>8,815,287</u>	<u>8,581,014</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 new ordinary shares of 8,063,267 (2005: 7,918,644) which excludes own shares held.

The net assets per share is based on 8,192,980 (2005: 7,501,873) new ordinary shares of 10p each in issue excluding own shares held. There are no share options, convertible equity or debt instruments in issue.

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

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

	2006	2005
	£	£
Operating (loss)	(1,115,782)	(1,049,344)
Goodwill amortisation	88,538	35,947
Depreciation	270,664	264,176
(Profit) on sale of tangible fixed assets	(6,436)	(20,929)
Loss (profit) on sale of investments	265,783	(452,432)
Provision against cost of investments	(159,684)	166,863
Exchange rate adjustments	(21,394)	114,403
Decrease (increase) in stock and work in progress	369,803	(337,135)
(Increase) decrease in debtors	(1,927,443)	286,423
Increase (decrease) in creditors	2,064,839	(146,580)
Restructuring costs	(144,340)	(284,003)
Net cash (outflow) from operating activities	(315,452)	(1,422,611)

25. Analysis of cash and cash equivalents

	2005	Cash flow	Exchange rate adjustments	2006
	£	£	£	£
Cash and bank overdrafts	(715,937)	213,559	(1,165)	(503,543)
Liquid resources	892,838	(387,822)	9,753	514,769
	176,901	(174,263)	8,588	11,226
Other loans due within one year	(808,386)	78,732	-	(729,654)
Finance leases	(114,920)	20,020	-	(94,900)
Bank loans due after more than one year	(332,337)	25,536	(3,011)	(309,812)
Net funds/(debt)	(1,078,742)	(49,975)	5,577	(1,123,140)

Liquid resources comprise short-term bank and money market deposits.

26. Contingencies and capital commitments

A cross guarantee and debenture has been given by the company and certain of the UK subsidiary undertakings to secure bank borrowings. These borrowings at 31st March 2006 amounted to £Nil (2005: £Nil). The company borrowings are secured by a charge over the leasehold land and buildings at Alexandra Dock, Newport and certain current asset investments.

St Georges Bay Hotel Limited (Malta) has secured its bank borrowings up to a limit of £565,145 (2005: £560,070) by a charge over its assets. These borrowings as at 31st March 2006 amounted to £412,154 (2005:£550,221).

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 (2005: £Nil).

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

27. Post balance sheet event

There have been no post balance sheet events requiring disclosure.

28. Obligations under operating leases

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

	2006	2005
	£	£
Within one year	6,297	678
Between one and five years	40,000	40,000
After five years	144,227	144,227
	<u>190,524</u>	<u>184,905</u>

29. Related party transactions

There are loans due to the directors at 31st March 2006 of £581,730 (2005: £1,293,721). This is made up of a balance due to Mrs S.A. Bailey of £100,363 (2005: £464,502) and a balance due to Mr Charles H. Bailey of £481,367 (2005: £829,219) on which interest was charged to the profit and loss account of £Nil (2005: £4,290) and £34,944 (2005: £24,453) respectively. In July 2005, the following treasury shares of 10p were acquired by the 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 W.H. McAlpine	1,111	-

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

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

	2006	2005 (as restated)	
	£	£	
Short-term deposits	514,769	892,838	
Cash and bank overdrafts	(503,543)	(715,937)	
	<u>11,226</u>	<u>176,901</u>	
Other loans due within one year	(729,654)	(808,386)	
Finance leases	(94,900)	(114,920)	
Bank loans due after more than one year	(309,812)	(332,337)	
Net borrowings	<u>(1,123,140)</u>	<u>(1,078,742)</u>	
Current asset investments	2,402,750	2,763,446	
Other net operating assets	7,426,892	6,969,036	
Total net assets	<u><u>8,706,502</u></u>	<u><u>8,653,740</u></u>	
Net borrowings	Dollar	531,612	131,733
	Sterling	(1,315,075)	(782,793)
	Other	(339,677)	(427,682)
		<u>(1,123,140)</u>	<u>(1,078,742)</u>
Current assets investments	Dollar	851,838	1,616,938
	Sterling	1,261,932	954,030
	Other	288,980	192,478
		<u>2,402,750</u>	<u>2,763,446</u>

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 2006 the group had £1,336,145 (2005: £1,260,070) of committed facilities of which £576,029 (2005: £1,029,154) was utilised.

31. Financial risk management objectives and policies

The group holds or issues financial instruments in order to achieve three main objectives, being:

- To finance its operations;
- To manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and
- For trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the group's operations.

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). Transactions in financial instruments result in the group assuming or transferring to another party one or more of the financial risks described below:

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NOTES TO THE ACCOUNTS YEAR ENDED 31ST MARCH 2006

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 14. 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 monitors credit risk closely and considers that its current policies meet its objectives of managing exposure to credit risk. The company has no significant concentrations of credit risk.

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MAJOR SUBSIDIARY UNDERTAKINGS

	Percentage of ordinary share capital held	Principal activities
Industrial division:		
Midway Precision Limited	100%	Engineering
Modular Automation International Limited	79%	Design and manufacture of automation systems
P&D Electrical Services Limited	100%	Electrical contracting
Specialist Heavy Engineers Limited	100%	Engineering
Leisure:		
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
Other activities:		
Industrial Investment Corporation Limited (Bermuda)	100%	Agents, managers, consultants and investors

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

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5 YEAR STATEMENT

	Restated			Restated	
	2002	2003	2004	2005	2006
	£'000	£'000	£'000	£'000	£'000
Turnover	3,042	3,376	4,633	6,815	11,334
Operating profit (loss)	(3,541)	(2,622)	(1,153)	(1,049)	(1,116)
Exceptional items	-	-	-	311	(144)
Net interest receivable (payable)	72	(37)	(82)	(129)	(107)
(Loss) before taxation	(3,469)	(2,659)	(1,235)	(867)	(1,367)
Taxation	(35)	195	(385)	73	188
(Loss) after taxation	(3,504)	(2,464)	(1,620)	(794)	(1,179)
Minority interest	-	2	-	13	(50)
(Loss) for the financial year	(3,504)	(2,462)	(1,620)	(781)	(1,229)
Fixed assets	9,327	8,660	8,280	8,216	8,274
Net current assets	4,694	3,611	2,325	1,466	1,572
Non current liabilities	(813)	(757)	(444)	(1,028)	(1,139)
Net assets	13,208	11,514	10,161	8,654	8,707
Earnings per share	(42.04p)	(29.54p)	(19.44p)	(9.87p)	(15.24p)
Net assets per share	£1.58	£1.38	£1.22	£1.15	£1.06