

# Shiloh PLC

## Report and Accounts

### 2003/2004

Company Registered Number 516671



A26 \*AXLPXLN\* 0614  
COMPANIES HOUSE 12/08/04

A57 \*AMDNLX7W\* 0690  
COMPANIES HOUSE 29/07/04

## Medical • Active Care • Sterilisation Services

Our aim is to develop innovative, long term mutually-beneficial partnerships with healthcare providers in the supply of continence care, mobility and rehabilitation, prevention of infection and wound management.

Partnerships that will add value through the supply, distribution and brand development of the products and services we provide.

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# Highlights

- Short-listed for contracts in the first wave of the NHS decontamination programme
- NHS national wipes contract renewed for 4 years
- Investment of £400k in new wipes machine to generate significant savings
- Over £900k sales from the higher margin Comfi bandage and Clinisan skin cleansing ranges
- Major cost savings in home delivery achieved following strategic review
- Net new business of over £500k for wheelchair service and repair contracts
- Three surplus properties sold at profit of £367k
- Closure of five poorly performing Active Care sites
- Net borrowings reduced by £796k to £1.54m

	Full Year 2004	Full Year 2003
Turnover	<b>£45.12m</b>	£45.44m
Operating profit †	<b>£0.43m</b>	£1.23m
Profit before tax	<b>£0.31m</b>	£0.49m
Earnings per share	<b>3.03p</b>	4.62p
Dividend per share		
– final	<b>3.85p</b>	3.85p
– total	<b>5.35p</b>	5.35p

† Excluding discontinued activities and before exceptional items and amortisation

# Shiloh



# Overview

Shiloh has three distinct,  
inter-related divisions

## Medical

The Medical division focuses primarily on disposable products for use within the NHS acute and primary care sectors and also the private healthcare sector. It provides product and service solutions for continence care, infection prevention and wound management.

Shiloh is best known as a leading manufacturer and supplier to both the NHS and private sector of the Conti range of patient cleansing wipes. As the only manufacturer of shaped pads in the UK, branded Contisure, Shiloh has over 20 home delivery contracts throughout the UK delivering the company's products direct to patients' homes. Product delivery is supported by a modern IT system enabling products to be delivered to patients' homes, direct to the NHS, to the private healthcare sector or to ward level in Scotland through Shiloh's own distribution business Fast-Aid.

Within the infection prevention portfolio, the Clinisan range of skin cleansing products has been strengthened with the addition of smaller can sizes and complements the continence care system whilst at the same time helping to control MRSA in the fight against infection.

The Comfi range of tubular bandages marked Shiloh's first move into the wound management arena and Comfi is now on NHS contract in England, Scotland and Wales. With a dedicated team targeting the community market Comfi is now listed on many Primary Care Trust formularies. Both Comfi and ROHO pressure care products complement our offering to tissue viability nurses. Vacutex, a capillary-action primary dressing, has recently been added to the range.

Other healthcare products include alcohol wipes, disposable gowns, facemasks, protective clothing for the workplace and cotton wool. Our Simply Gentle Organic cotton wool brand is manufactured and supplied to some of the major retail outlets throughout the country and is fully compliant with The Soil Association Organic Standard.

# Active Care

The re-branding and consolidation of the mobility and rehabilitation businesses acquired and built since 2000 continues. Shiloh Active Care is committed to helping people lead more active lives – whatever their age or situation. It does this through the provision of high quality mobility and rehabilitation products, services and after-care support.

The division operates a number of assessment centres across the UK – many of which are attached to service centres for NHS contracts. The division has been successful in being awarded new NHS wheelchair services contracts in Lancashire and Northern Ireland with dedicated service and assessment centres being established in Preston and Belfast to support these.

Shiloh Active Care's product range is now a common offering throughout the UK and includes wheelchairs, scooters, hoists, beds, pressure relief products, specialist seating and aids for daily living. The division works in partnership with key suppliers including Sunrise Medical and has exclusive distribution agreements with Sumed and Roho for seating and pressure relief products.

Most of Shiloh Active Care's sales are to the NHS or Social Services through a combination of product and service contracts. These products and services are also available to individual customers through our network of assessment centres and a specialist mail order catalogue.

Shiloh Active Care is well positioned to provide a competitive, high quality service in a traditionally fragmented market and help make life a little easier for the elderly and disabled.

# Sterilisation Services

Shiloh's Sterilisation Services Division was established seven years ago as a new concept for the decontamination of surgical instruments in the private sector. It operates from custom-built sterilisation facilities at Strathclyde Business Park, Lanarkshire, supporting hospitals across central Scotland.

The Department of Health has publicly acknowledged that in the years ahead the need for fully-compliant decontamination facilities across the U.K. will increase and that private sector companies are expected to provide a significant number of those facilities. Accordingly, in June 2003 it published a strategy for modernising the provision of decontamination services and has since embarked on the NHS Decontamination Programme for England.

Using its experience of operating a modern off-site facility that is strictly compliant with European regulations, the division is committed to further expansion of this successful area of activity to take full advantage of the opportunities arising from the decontamination programme.

# Chairman's Statement

"We must maximise the opportunities that the growth in the national healthcare budget presents"

## Overview

The result for the year is disappointing and does not reflect the tremendous energy and effort involved in re-positioning the Group as a leading supplier of products and services to the National Health Service and the private healthcare market.

The cost and time taken to make the necessary changes to re-position the Group have been much greater than expected. In particular, the re-structuring of our four mobility acquisitions into one division, Shiloh Active Care, has proved a costly exercise and has had a significant negative impact on operating profit.

The Medical Division has had a year of mixed fortunes. Our Glasgow based distribution operation, Fast-Aid Products, has again turned in an excellent performance, but the main Oldham-based operation has been adversely affected by the costs involved in re-structuring and changing the product mix. We have withdrawn from some low margin business and started to build up a range of higher margin products, most notably our Comfi bandage range of woundcare products and the Clinisan brand of emollient cleansing foam. These two products have resulted in new sales of over £900,000, which have replaced nearly £2 million of low margin business, mainly in workwear.

Under these circumstances, the Group has done well to maintain sales at a similar level to last year at £45.12 million.

A priority during the year has been the development of our Sterilisation Services Division where we can clearly see good prospects for profitable expansion in the future. Our unique purpose-built sterilisation unit at Bellshill, servicing hospitals in the Glasgow and Lanarkshire region, has now had three years of profitable operation. We plan to build on this success by using our skills and the experience gained in this field to develop more units on the back of the NHS programme for outsourcing sterilisation services on a national basis.

Details of this programme have now been announced and the NHS is in the process of issuing tender documents for the first wave of contracts. I am very pleased to report that Shiloh Sterilisation Services has been short-listed for some of these contracts and we are hopeful that we will win one or more in the first wave.

The contracts will be awarded for a ten to fifteen year term and would require us to raise additional finance. The Directors are currently considering the best means of securing this finance as they believe that the successful growth of the Sterilisation Services Division is an important way forward for the Group.

A review of the operation of the three divisions is contained in the Chief Executive's report.

### Results

Profit for the year before tax, exceptional items, amortisation and interest is £428,000 (2003: £1.23 million).

Sales are £45.12 million (2003: £45.44 million).

Group profit before tax is £310,000 (2003: £490,000) after charging amortisation of intangible assets of £290,000 and crediting an exceptional profit on property sales of £367,000.

Earnings per share before amortisation of intangible assets and exceptional items are 2.66p per share (2003: 12.13p)

### Dividend

As a reflection of our confidence in the future, the Directors believe they are justified in maintaining the dividend at the same level as last year and therefore recommend a final dividend of 3.85p per share making the total dividend for the year 5.35p (2003: 5.35p).

### Property

We were successful in completing the sale of our three surplus properties during the year, namely Park Mill and the previous Head Office in Holden Fold, both in Royton, and Swan Lane Mill in Bolton. These properties realised £1.84 million and resulted in an exceptional profit of £367,000.

### Finance

Cash flow has been favourable during the year and net borrowings have been reduced by £796,000 to £1.54 million.

£681,000 has been spent on new plant and equipment, mainly on upgrading the Shiloh Connect and other IT systems, and on additional manufacturing plant. In addition, there is a commitment of over £400,000 to purchase a new wipes manufacturing machine which will result in greater efficiency and significant cost savings.

It is pleasing to note that the FRS 17 valuation of our defined benefit pension scheme has risen by £672,000 during the year due to an increase in the value of the scheme's investments.

### Directors

The Director retiring by rotation under the Company's Articles of Association is Mr Dieno George. Mr George has decided not to offer himself for re-election and will retire at the conclusion of the Annual General Meeting on 18<sup>th</sup> June.

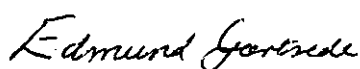
I would like to thank Dieno for the contribution he has made as a non-executive Director since he joined the Board in 2001. His knowledge of the healthcare industry and his contribution to the Board's strategic thinking has been invaluable.

### Employees

As always, we rely on the dedication and professionalism of our employees which has been clearly demonstrated in what has been a tough year. My Board colleagues and I greatly appreciate the support and commitment they have shown, particularly in accepting the changes that have been necessary to move the Group forward.

### Outlook

We expect the demand for the Group's products and services to continue to grow in line with the growth in the national healthcare budget. It is up to us to maximise the opportunities that this presents. I believe that we can gain advantage from an environment that places healthcare at the top of the list of national priorities and that, with the work that has been done to re-shape the Group over the last two years, we will move forward in the coming year.



**Edmund T Gartside** Chairman

The Group is in the process of transforming itself from operating in commodity healthcare sectors, which demand high levels of overhead expenditure due to high service levels expected by our key customers, to higher margin branded products and services.

Last year, I explained the restructuring of the business into three divisions – Medical, Active Care and Sterilisation Services. When we announced the half year results in October, we gave an update on trading conditions and initiated a detailed review of costs and sales given the poor performance in the first half of the year, particularly in the Active Care division. As a result, changes were implemented without delay and the cost base reduced to reflect the sales which were lower than we had anticipated. Although the result for the year is disappointing, it is encouraging that it was slightly ahead of our re-forecast following the detailed review.

“Our strategy remains on course. Actions taken during the second half of the year have placed us in a much stronger position to deliver the strategy”

# Chief Executive's Review

A key focus for the year has been on higher margin activity. Gross profit as a percentage of sales increased from 27.4% to 29.2%, reflecting the improving margins within the business despite the adverse impact of the strengthening of the Euro. Currency movements had a negative impact on profitability for the year of £325,000. During the year, we have continued to incur significant restructuring costs and these have impacted on the operating profit.

The surplus properties have now all been disposed of and are no longer a distraction to the core business.

Cash flow was another focus for the Group during the year and the operating cash inflow of £576,000 (2003: £1.8 million before exceptional items) was encouraging, given the profit performance.

## Medical

The division is focused primarily on disposable products for use within the NHS and the private healthcare sector. It provides product and service solutions in the areas of continence care, infection prevention and wound management.

Divisional sales were £32.1 million, down from £33.3 million in 2003. Within the division, we saw another

strong performance from our Scottish distribution business, Fast-Aid Products, whilst Macdonald & Taylor, our cotton wool business, delivered a sound set of results in difficult market conditions. Sales of Simply Gentle Organic cotton wool again grew strongly, albeit from a modest base.

Shiloh Healthcare, comprising the continence care, infection prevention and wound management businesses had a difficult year, facing fierce price competition as a result of changes in purchasing strategies within the NHS. At the half year, we said that we were reviewing strategy as regards Home Delivery activities for continence care products because this part of the business made losses in the early part of the year. We have now refined warehousing and distribution systems to improve profitability while maintaining service levels.

Overall, sales of continence care products were flat year on year, although sales of product through the Home Delivery service, where margins are lowest, increased by more than 8%. Most of the negative currency movements in Shiloh Healthcare were as a result of a long-term supply agreement for sub-contracted continence care products sold through the Home Delivery service. We have negotiated a new arrangement with

substantially lower prices and no risk from currency movements. This arrangement started in the new financial year.

Sales of infection prevention products fell, as planned, by more than 25% year on year. This is consistent with our strategy allowing us to concentrate on our own brand, Primeguard.

Following the renewal of the NHS dry wipes contract, which we announced at the half year, we have taken the decision to invest in state of the art manufacturing plant for this key product area. This equipment is currently being installed and we expect it to be in operation during the month of May.

Sales of our new wound management products grew strongly during the year both in the primary care (community) sector and in the acute care (hospital) sector, where we now hold more than 12% of the market. Following the year end, we have signed an agreement with Pro-Tex Capillary Dressings Ltd who have appointed us as their exclusive UK distributor for Vacutex, a novel primary wound dressing for use on all kinds of chronic wounds. We see this as a major step in us further developing this key market area.

#### **Active Care**

This division supplies and maintains a comprehensive range of mobility and rehabilitation equipment across the UK. The range includes wheelchairs, scooters, hoists, slings, stair lifts, ramps, chairs, beds and general aids.

Division sales were £10.8 million, an increase of 8.4%. At the half year, we said that two units had been closed and that further rationalisation was planned. Since then we have closed three small and poorly performing sites. Although we have lost some contract business in Merseyside, we have been awarded two large wheelchair service and repair contracts in Northern Ireland and Preston and accordingly have opened two new sites. The result of this additional contract activity means that our annual contract-oriented business has grown by more than £0.5 million, further reducing our reliance on private sales. In line with our stated aims, the proportion of institutional sales has increased from 54% to 59%.

The re-branding exercise, introducing the "Shiloh Active Care" brand across the Group, continues to progress according to our plans and we expect the exercise to be complete early in the current financial year. We have received a very positive response from both customers and employees. The restructuring of our Active Care Division has been more complex than anticipated and consolidation of computer systems in the new financial year will enhance our ability to derive benefit from our purchasing strength.

Our relationship with Sumed International UK Ltd and Roho Inc for pressure care products remains very strong and much of the sales increase in the year was as a result of these new arrangements. During the current financial year, we will be changing the sales force structure to ensure that even more emphasis is placed on this key area.

The new Mail Order catalogue has been well received and is already making a good contribution to sales. We intend that private sales will increasingly be made through this route with less dependency on the traditional retail channel.

At the half year, we said that costs would be reduced in the second half. This exercise was completed quickly with most of the savings coming from the Active Care Division.

#### **Sterilisation Services**

This division was established as a new concept for the decontamination of surgical instruments in the private sector. It operates from custom-built sterilisation facilities at Bellshill, Lanarkshire.

The business performed well during the year with sales in line with the previous year but with improved levels of gross profit as a result of an increase in the focus on higher margin reprocessing work. The unit has now established itself as a sound business with capacity to grow as new opportunities arise.

In June 2003, the NHS announced its plans to upgrade decontamination facilities throughout England. We have been very active in this project and see this as a significant opportunity to expand our division by building new facilities south of the border.

#### **Management**

It has been a difficult year for the business. The management team and employees have worked hard in implementing the changes necessary to rebase the business.

During the year, Paul Davies was appointed Managing Director of Shiloh Active Care. Paul has nearly twenty years experience of the mobility industry having joined us in 2000 when we acquired ICR Mobility.

We also strengthened the finance team with the appointment of Marie Greenwood as Financial Controller. Marie is a Chartered Accountant and joined us from Northern Foods Plc.

#### **Strategy**

Our aim is to develop innovative, long-term, mutually-beneficial partnerships with healthcare providers in the supply of continence care, mobility and rehabilitation, prevention of infection and wound management. These partnerships will add value through the supply, distribution and brand development of the products and services we provide.

Our intention is to:

- consolidate the four mobility acquisitions under the Shiloh Active Care brand and create a market-leading company in a fragmented market by focusing on our core strength in contract rather than retail sales
- grow the medical business by adding complementary products in the continence care, infection prevention and wound management markets, either through acquisition or through distribution arrangements
- establish new sterilisation facilities in England using experience derived from our Bellshill unit

Our strategy remains on course although we recognise that the transformation process has taken longer than we envisaged. We believe that actions taken in the second half of the year have placed us in a much stronger position to deliver the strategy.



**Graham J Collyer** Chief Executive

# Board of Directors

## Executive Directors

Graham J. Collyer

BSc CTEXT ATI MBIRA

**Chief Executive**

Appointed 2001

Technical Director, SSL International plc  
1995 – 2001

Chairman, British Healthcare Trades Association

Non-Executive Director, Altrix Healthcare plc

John Edwards

BSc FCMA

**Finance Director**

Appointed 2000

Finance Director, Kingsley Cards Ltd  
1997 – 2000

Deputy Managing Director, Spring Ram  
Bathrooms 1991 – 1997

Eric Robinson

BSc MBA

**Managing Director- Fast Aid Products Ltd**

Appointed 2000

Consultant, Scottish Agricultural Industries (ICI)  
1979 – 1991

## Non-Executive Directors

Edmund T. Gartside\*#

TD DL MA CCMi

**Chairman**

Appointed 1960

Managing Director 1965 – 2000

Chairman since 1966

Dieno George

MSc BSc BA

Appointed 2001

Director, SSL International plc 1986 – 2001

Chief Executive, Thornton & Ross Ltd

Non-Executive Director, Altrix Healthcare plc

J. Roger B. Gould\*#

MA FCA CCMi

**Chairman Audit Committee**

Appointed 1998 Deputy Chairman, Seton  
Healthcare Group plc 1984 – 1998

Robert E. Hough\*#

DL LLB

**Senior Independent Director**

Appointed 2003

Solicitor and Partner, Slater Heelis 1974 – 1989

Deputy Chairman, Peel Holdings plc  
since 1989

Non Executive Director, Alfred McAlpine plc  
and the Cheshire Building Society

High Sheriff of the County of Greater  
Manchester

## Company Details & Advisers

Company Secretary

David R. Stubbins

MA FCA

Appointed 1990

Finance Director, J.B. Battye & Co Ltd  
1984 – 1989

Registered Office: Shiloh House, Fitton Street,  
Royton, Oldham OL2 5JX  
Telephone 0161 624 5641

Bankers: Barclays Bank PLC, Oldham

Auditors: Waterworths, Chartered  
Accountants, Blackburn

Stockbrokers: W.H. Ireland Ltd., Manchester

Registrars: Capita Registrars, Northern House,  
Woodsome Park, Fenay Bridge, Huddersfield  
HD8 0LA

Telephone: 0870 162 3131

Shareholder.Services@capitaregistrars.com

\* Remuneration Committee # Audit Committee

# Report of the Directors

The Directors present their Annual Report and the Accounts of the Group for the year ended 31st March 2004.

## Activities

Shiloh PLC is a holding company and through its operating subsidiary undertakings carries on the activities of the manufacture and marketing of healthcare products and the provision of healthcare services.

## Business Review

A review of the Group's activities is contained in the Chairman's Statement and Chief Executive's Review on pages 4 to 7.

## Group Profit and Dividends

The Group profit before taxation for the year ended 31st March 2004 amounted to £310,000 (2003 - £490,000). An interim dividend of 1.50p per share was paid on 28th November 2003. The Directors recommend a final dividend of 3.85p per share. This makes a total dividend for the year of 5.35p which absorbs £359,000. The final dividend will be paid on 21st June 2004 to those shareholders on the register of members on 28th May 2004.

## Directors

The Directors are listed on page 8. Mr R.E. Hough was appointed to the Board on 1st May 2003 and subsequently elected at the Annual General Meeting held on 17th June 2003. Mr D.H. Shaw retired at the conclusion of the Annual General Meeting. Mr E.T. Gartside, having attained the age of seventy years, retires at the conclusion of the forthcoming Annual General Meeting and offers himself for re-election. The Director retiring by rotation is Mr D. George, who will not be seeking re-election.

## Directors' Interests

At 31st March 2004, the interests of Directors in the ordinary shares of the Company were as follows:

Beneficial Interests	2004	2003*
E.T. Gartside	296,471	350,241
G.J. Collyer	87,954	87,954
J. Edwards	1,000	1,000
D. George	149,571	183,771
J.R.B. Gould	174,000	134,000
R.E. Hough	750	750
E. Robinson	11,564	11,564
Non-beneficial interest as trustee:		
E.T. Gartside	64,346	67,846
*or at date of appointment		

There have been no changes in these holdings since the year end.

## Major Shareholdings

The Company has been notified of the following substantial interests in the issued share capital of the Company as at 5th May 2004:

	Number	%
Gartmore Investment Management plc.	790,732	11.79

## Share Capital

At 31st March 2004 the Company had authority to acquire 750,000 of its own shares.

## Employees

The Directors continue to attach great importance to the development of employee involvement. Employees are consulted whenever necessary on matters affecting their interests. We attach considerable importance to the training and development of our staff and a number of our subsidiaries have achieved Investors in People accreditation. This has proved beneficial in motivating employees.

It is the Group's policy to give full and fair consideration to all applications from disabled persons, with due consideration being given to respective aptitudes and abilities. The same policy applies in the event of employees who become disabled during employment. Appropriate training is provided where applicable.

## Executive and Savings Related Share Option Schemes

Options on 21,967 shares under the Savings Related Scheme were exercised for which a total consideration of £26,000 was received. Options on 30,689 shares under the Executive Scheme and 36,124 shares under the Savings Related Scheme lapsed during the year.

Share options on ordinary shares granted to employees and which were outstanding at 31st March 2004 are as follows:

### Periods options exercisable

	Option Price	Number of ordinary shares	
		2004	2003
<b>Executive Share Option Scheme</b>			
August 2003 to August 2010	145.0p	79,309	99,998
November 2005 to November 2012	167.5p	77,395	87,395
		<u>156,704</u>	<u>187,393</u>
<b>Savings Related Scheme</b>			
August 2000 to February 2005	113.0p	2,277	2,967
October 2003 to April 2008	118.0p	47,728	90,573
February 2006 to August 2010	147.5p	98,343	112,899
		<u>148,348</u>	<u>206,439</u>
<b>Total Share Options Outstanding</b>		<u>305,052</u>	<u>393,832</u>

## Environment

The Group recognises its environmental responsibilities and is committed to minimising any damage which its activities may cause to the environment. In addition, it actively pursues a number of environmental policies including those designed to conserve energy and recycle waste materials wherever practicable.

One Group company, Macdonald & Taylor Limited, has been working closely with the Biore Tanzanian organic cotton farming project to develop and promote the growth of organic cotton. The company contributes a small percentage of its sales of organic cotton wool to a fund to assist the farmers and their families with this project and as a result was the first U.K. company to achieve the SA8000 social accountability standard whilst also being certified to the ISO14001 environmental standard.

## Payments to Suppliers

The Company agrees terms and conditions for its transactions with suppliers. Payment is then made, subject to the terms and conditions being met by the supplier. The number of days' purchases outstanding for the Group at 31st March 2004 was 63 (2003 - 69).

## Political and Charitable Donations

Charitable donations during the year totalled £2,768 (2003 - £635). In addition, some Group companies have supported a number of voluntary organisations within their local communities.

## Special Business

The following special business will be proposed at the Annual General Meeting on 18th June 2004:

- i) Under the Company's Articles of Association the Directors have the power to allot shares in accordance with section 80 of the Companies Act 1985, subject to the approval of shareholders at a general meeting. Approval will be sought to renew this authority for another year and to authorise the Directors to allot ordinary shares of up to £322,877, which is the balance of the unissued share capital of the company and represents 19% of the issued capital (Resolution 6).
- ii) Subject to the passing of Resolution 6 the Directors are seeking authority under section 89 of the Companies Act 1985 to allot shares for cash, other than by way of a rights issue, up to a maximum of 5% of the nominal value of the issued share capital (Resolution 7).
- iii) The Directors seek shareholders' approval to renew the authority to allow the Company to purchase its own shares in respect of up to 10% of the issued capital at prices not exceeding 5% of the average mid-market price for the five business days preceding the purchase. The Directors have no immediate intention of using this authority and would only do so if, in their view, it was in the best interests of the Company at the time (Resolution 8).

Resolutions to implement the above authorities are set out in the notice of the Annual General Meeting on page 33 and the authorities would expire at the conclusion of the next Annual General Meeting or after fifteen months, whichever is the earlier.

## Auditors

Waterworths have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board,  
David R. Stubbins  
Secretary  
5th May 2004

*DR Stubbins*

# Corporate Governance and Directors' Responsibilities

## Corporate Governance

### Combined Code

The Board considers that the company has complied with the detailed provisions of the Combined Code of Best Practice on Corporate Governance throughout the year, except where noted. The Board considers the level of compliance to be appropriate for an organisation of its size and nature.

### The Board

The Board comprises the part-time Chairman, three executive and three independent non-executive directors. The full Board meets on a monthly basis and its procedures are sufficient to ensure that the direction of the Group is firmly controlled.

The Company's Articles of Association provide for one third (or the number nearest to but not exceeding one third) of the non-executive directors to be subject to re-election at each Annual General Meeting. There is no such requirement for the executive directors.

As the Board is small, the appointment of new directors is a matter reserved for the whole Board, and there is no need for a separate nomination committee.

All directors have full and timely access to all relevant information and independent professional advice.

### Audit Committee

The Company has an Audit Committee consisting of non-executive directors under the chairmanship of Mr J.R.B.Gould. The members of the Audit Committee are disclosed on page 8. The Committee meets at least three times a year and its terms of reference follow those recommended by the Combined Code, ensuring an objective and professional relationship is maintained with the Auditors. The Auditors are invited to attend as required, and other Board members may attend as appropriate.

### Relations with Shareholders

After the announcement of the interim and final results the Directors encourage dialogue with the major institutional shareholders. There is an opportunity for individual private shareholders to question directors at the Annual General Meeting and the Company regularly responds to communications from shareholders on a wide range of issues.

## Directors' Responsibilities

### Internal Control

The Combined Code requires the Directors to review the effectiveness of the Group's system of internal control.

The Directors acknowledge their responsibility for the Group's system of internal control and that the Board has ultimate responsibility for ensuring that the Group has in place a system of controls, financial and otherwise, that is appropriate to the business environment in which it operates. This is intended to ensure that the Directors maintain full and effective control over all significant strategic, financial, organisational and compliance issues. However, any system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that it has established the procedures necessary to comply with the Turnbull Guidance.

The Board has identified the significant risks faced by the Company, its subsidiaries and divisions. The Board continues to develop procedures to evaluate, manage and minimise such risks. The key procedures are being defined in Group manuals. The Board recognises that internal controls must evolve, and the Board reviews them annually.

The Board has considered the need for internal audit and has developed a structure within which such a function can report to the Board. This function began during the year and is in the early stages of development.

### Going Concern

The Directors confirm that, after having made appropriate enquiries, they have a reasonable expectation that the Group and Company have adequate resources to continue operating for the foreseeable future. Accordingly, the Directors continue to adopt the Going Concern basis in the preparation of the accounts.

## Directors' Responsibilities (continued)

### Accounts

*Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and 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 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
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and Group will continue in business

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, and to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A copy of the financial statements for the Company is placed on the Shiloh PLC website. The maintenance and integrity of this website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and publication of financial statements may differ from the legislation in other jurisdictions.

# Directors' Remuneration Report

## Remuneration Committee

The committee consists of Messrs E.T.Gartside (Chairman), J.R.B.Gould and R.E.Hough, all of whom are non-executive directors.

The Committee is responsible for pay and salary policy throughout the Group and determines the remuneration package and conditions of service of executive directors and other senior executives.

## Remuneration Policy

Remuneration policy aims to ensure that the remuneration packages offered attract, motivate and retain high calibre executives and to recognise the importance of achieving short and long term performance objectives and enhancing shareholder value, whilst at the same time being consistent with policies applied to other employees in the Group.

## Directors' Remuneration

Details of the remuneration of all the Directors who have held office in the year are shown in note 5 to the accounts.

*The emoluments of the Executive Directors consist of basic salary, performance linked bonus, pension contributions and other taxable benefits, which include the provision of a car or car allowance, private health insurance and life assurance.*

## Performance Related Bonuses

The Executive Directors, along with other senior managers, are eligible for annual bonuses based on performance targets. The performance targets are based either on growth in earnings per share, growth in profits or on other personal targets on which the individual has a direct influence. There is a maximum entitlement of between 15% of basic salary and 50% of basic salary dependent on the level of responsibility. No performance related bonuses were earned by the Executive Directors during the year.

## Executive Share Options

The Group operates an approved executive share option scheme, under which the Executive Directors benefit along with other senior executives. Details of options held by the Executive Directors are shown in note 5 to the accounts. The options are issued subject to a performance criterion of growth in earnings per share of 6% above inflation over a three-year period.

## Service Agreements

Mr J. Edwards has a service agreement which provides for one year's notice by either side.

## Pensions

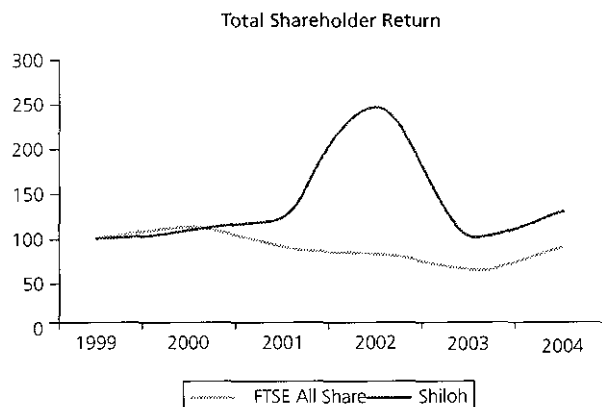
Messrs G.J.Colyer and J.Edwards are members of the Group's defined contribution pension scheme. Contributions to the scheme are disclosed in note 5 to the accounts.

Mr E.Robinson is a member of the Group's defined benefit pension scheme, to which the company contributes 13.8% of salary.

*Details of the Executive Directors' pension entitlements are shown in note 5 to the accounts.*

## Performance of the Company

The graph below charts the investment performance of the Company since 1st April 1999 against the FTSE All Share Index which is regarded as the most direct comparator for this purpose.



## Audit

The Directors' remuneration, pensions, performance related bonuses and share options have been subject to audit.

By order of the Board

Edmund T. Gartside

Chairman of the Remuneration Committee.

# Report of the Independent Auditors

To the shareholders of Shiloh PLC

We have audited the financial statements of Shiloh PLC for the year ended 31st March 2004, which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Corporate Governance Statement, the Statement of Directors' Responsibilities, the Financial Record and the Financial Highlights. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

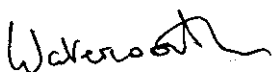
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate in the Company's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31st March 2004 and of the Group's profit for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.



Waternorths  
Registered Auditors  
Chartered Accountants  
Blackburn

5th May 2004

# Consolidated Profit and Loss Account

for the year ended 31st March 2004

			2004 Amortisation & Exceptional Items (note 4)		2003
	Notes	Ordinary Activities £000's	£000's	Total £000's	Total £000's
Turnover	3	45,121	-	45,121	45,441
Cost of sales	3	(31,964)	-	(31,964)	(32,997)
Gross profit	3	13,157	-	13,157	12,444
Net operating expenses	3	(12,729)	-	(12,729)	(11,609)
Operating profit before amortisation of intangible assets		428	-	428	835
Amortisation of intangible assets		-	(290)	(290)	(223)
Operating profit after amortisation of intangible assets		428	(290)	138	612
Profit on sale of properties	4	-	367	367	-
Profit on ordinary activities before interest		428	77	505	612
Net interest payable	8	(195)	-	(195)	(122)
Profit on ordinary activities before taxation	9	233	77	310	490
Taxation on profit on ordinary activities	10	(55)	(52)	(107)	(182)
Profit after taxation		178	25	203	308
Dividends	12	(359)	-	(359)	(358)
Retained loss for the year	25	(181)	25	(156)	(50)

Earnings per share before amortisation of intangible assets and exceptional items

		2004	2003
Basic	13		
Diluted	13	2.66p	12.13p
		2.63p	11.93p

Earnings per share

Basic	13		
Diluted	13	3.03p	4.62p
		3.01p	4.55p

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations. Movements in reserves are set out in note 25 on page 28.

The accounts should be read in conjunction with the notes on pages 19 to 31.

# Balance Sheets

## 31st March 2004

	Notes	Group 2004 £000's	2003 £000's	Shiloh PLC 2004 £000's	2003 £000's
<b>Fixed Assets</b>					
Intangible assets	14	4,803	5,393	1,327	1,397
Tangible assets	15	4,530	5,509	994	164
Investments in subsidiary undertakings	16	-	-	5,934	7,218
		<u>9,333</u>	<u>10,902</u>	<u>8,255</u>	<u>8,779</u>
<b>Current Assets</b>					
Stocks	17	6,316	5,754	-	-
Assets held for resale	18	-	776	-	74
Debtors	19	7,293	7,842	5,614	4,202
Short term deposits		-	450	-	450
Cash and bank balances		<u>74</u>	<u>297</u>	<u>1</u>	<u>1</u>
		13,683	15,119	5,615	4,727
 Creditors-amounts falling due within one year	20	<u>9,876</u>	<u>11,847</u>	<u>4,943</u>	<u>6,277</u>
 Net current assets/(liabilities)		<u>3,807</u>	<u>3,272</u>	<u>672</u>	<u>(1,550)</u>
 Total assets less current liabilities		13,140	14,174	8,927	7,229
 Creditors-amounts falling due after more than one year	21	687	1,592	324	700
 Provision for liabilities and charges	22	284	294	65	-
 Deferred credit	23	<u>122</u>	<u>111</u>	<u>38</u>	<u>-</u>
		<u>12,047</u>	<u>12,177</u>	<u>8,500</u>	<u>6,529</u>
 <b>Capital and Reserves</b>					
Called up equity share capital	24	1,677	1,672	1,677	1,672
Share premium account	25	1,294	1,273	1,294	1,273
Capital redemption reserve		62	62	62	62
Revaluation reserve	25	74	802	-	73
 Profit and loss account - distributable	25	<u>8,940</u>	<u>8,368</u>	<u>5,467</u>	<u>3,449</u>
 Equity shareholders' funds		<u>12,047</u>	<u>12,177</u>	<u>8,500</u>	<u>6,529</u>

Approved by the Board  
 E.T. Gartside }  
 J. Edwards } Directors

*E. T. Gartside*  
*Joh Edwards*

5th May 2004

The accounts should be read in conjunction with the notes on pages 19 to 31.

# Consolidated Cash Flow Statement

for the year ended 31st March 2004

	2004 £000's	2003 £000's
Net cash inflow from operating activities (note 26)	576	1,432
Returns on investments and servicing of finance		
Interest received	4	12
Interest paid	(209)	(95)
Interest element of finance lease payments	(45)	(35)
Net cash outflow for returns on investments and servicing of finance	(250)	(118)
Taxation		
Taxation paid	(86)	(299)
Capital Expenditure		
Payments to acquire tangible fixed assets	(649)	(1,187)
Payments to acquire intangible fixed assets	(200)	(754)
Proceeds from sale of tangible fixed assets	703	40
Proceeds from sale of assets held for resale	1,176	-
Government grant received	21	-
Net cash inflow/(outflow) for capital expenditure	1,051	(1,901)
Acquisitions and Disposals		
Purchase of minority interests in subsidiary undertakings	(100)	(510)
Sale of previously discontinued operations	-	50
Net cash outflow for acquisitions and disposals	(100)	(460)
Equity Dividends Paid	(357)	(345)
Net cash inflow/(outflow) before management of liquid resources and financing	834	(1,691)
Management of Liquid Resources		
Cash withdrawn from short term deposit	450	-
Financing		
Issue of ordinary share capital	26	33
Capital element of finance lease payments	(268)	(195)
Net cash outflow for financing	(242)	(162)
Increase/(decrease) in cash	<u>1,042</u>	<u>(1,853)</u>

Proceeds from sale of tangible fixed assets and assets held for resale include £1,843,000 in respect of non-operating exceptional items.  
 Net cash inflow from operating activities for the year ended 31st March 2003 included a cash outflow of £395,000 in respect of operating exceptional items.

	2004 £000's	2003 £000's
Reconciliation of cash flow to movement in net debt		
Increase/(decrease) in cash	1,042	(1,853)
Cash outflow for decrease in debt and lease financing	268	195
Cash inflow from decrease in liquid resources	(450)	-
Decrease/(increase) in net debt resulting from cash flows	860	(1,658)
Inception of finance lease contracts	(64)	(412)
Anticipated cancellation of loan notes	-	450
Decrease/(increase) in net debt	796	(1,620)
Net debt at 31st March 2003	<u>(2,342)</u>	<u>(722)</u>
Net debt at 31st March 2004 (note 27)	<u>(1,546)</u>	<u>(2,342)</u>

The accounts should be read in conjunction with the notes on pages 19 to 31.

## Consolidated Statement of Total Recognised Gains and Losses for the year ended 31st March 2004

	2004 £000's	2003 £000's
Profit for the financial year	203	308
Unrealised deficit on revaluation of property	-	(150)
Total recognised gains and losses relating to the year	<u>203</u>	<u>158</u>

## Consolidated Statement of Historical Cost Profits and Losses for the year ended 31st March 2004

	2004 £000's	2003 £000's
Reported profit on ordinary activities before taxation	310	490
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	1	15
Realisation of gains arising from revaluation of properties in previous years	727	-
Historical cost profit on ordinary activities before taxation	<u>1,038</u>	<u>505</u>
Historical cost transfer to/(from) reserves	<u>572</u>	<u>(35)</u>

The accounts should be read in conjunction with the notes on pages 19 to 31.

# Notes to the Accounts

## 1 Accounting policies

The accounts have been prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets, and comply with applicable U.K. accounting standards. The principal accounting policies which the Directors have adopted within the convention are as follows:

**Basis of consolidation** - The Group accounts consolidate the accounts of the Company and its subsidiary undertakings. The financial statements are prepared for the 12 month period ended 31st March in each year. The results of companies and businesses acquired are included from the date of acquisition.

**Intangible fixed assets** - Goodwill: Goodwill arising on acquisitions, being the difference between the fair value of the purchase consideration and the fair value of the identifiable net assets of an acquired company or business, is capitalised and amortised in equal annual instalments over its useful economic life, normally a period not exceeding 20 years. Goodwill arising on acquisitions prior to 31st December 1997 has been set off directly against reserves. In accordance with FRS10 "Goodwill and Intangible Assets", previously written off goodwill has not been reinstated.

Brands: Acquired brands are only recognised on the balance sheet as intangible assets where title is clear, brand earnings are separately identifiable, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products. Brands are amortised over their estimated useful economic lives, normally a period not exceeding 20 years.

**Depreciation** - Land: Depreciation is not provided on freehold and leasehold land.

Buildings: Depreciation is provided on buildings so as to write off their cost or valuation over 40 years, or, in the case of leasehold property, over the term of the lease.

Plant and Machinery: Depreciation of plant and machinery, office equipment and vehicles is calculated to write off their cost during their expected normal lives at rates ranging from 10% to 33%.

**Investment properties** - The investment property was included in the balance sheet at its open market value and was not depreciated. Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, "Accounting for Investment Properties", it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the Directors, compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been included cannot be separately identified or quantified.

**Stocks** - Stocks are valued at the lower of cost and net realisable value, and cost includes an appropriate proportion of production overheads.

**Turnover** - Turnover of the Group is the invoiced sales less returns to external customers exclusive of value added tax.

**Deferred taxation** - Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

**Pensions** - The Group operates a defined benefit scheme for full time staff employees who were on the payroll on 20th October 1997. Contributions are based on percentages of members' pensionable remuneration as fixed by independent actuaries. The cost of contributing to this scheme is charged to the profit and loss account over the estimated service lives of the employees. On adoption of FRS17, "Retirement Benefits", the Group has followed the transitional provisions at 31st March 2004 as disclosed in note 30. The Group also operates or contributes to a number of defined contribution schemes. The costs of the contributions to the defined contribution schemes are charged to the profit and loss account as they are incurred.

**Leased assets** - Fixed assets held under finance leases are capitalised and depreciated over the shorter of the lease term or their expected useful lives. The finance charges are allocated during the lease term so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding. The costs of operating leases are charged to the profit and loss account as they accrue.

**Government grants** - Grants received in respect of tangible fixed assets are treated as a deferred credit and are released to the profit and loss account in equal instalments over the estimated useful economic life of the assets concerned.

**Foreign currency translation** - Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All translation differences are taken to the profit and loss account.

## 2 Information by class of business

The turnover, operating profit and net assets are attributable to the one principal activity of the Group.

Turnover of the Group outside the United Kingdom amounted to £274,000 (2003 - £619,000).

### 3 Analysis of turnover, cost of sales, net operating expenses and operating profit:

	Amortisation & Exceptional			Amortisation & Exceptional		
	Ordinary	items	Total	Ordinary	items	Total
	2004	2004	2004	2003	2003	2003
	£000's	£000's	£000's	£000's	£000's	£000's
Turnover	45,121	-	45,121	45,441	-	45,441
Cost of sales	(31,964)	-	(31,964)	(32,997)	-	(32,997)
Gross profit	13,157	-	13,157	12,444	-	12,444
Net operating expenses						
Distribution costs	(3,294)	-	(3,294)	(3,228)	-	(3,228)
Administrative expenses	(9,457)	-	(9,457)	(8,061)	(395)	(8,456)
Other operating income	22	-	22	75	-	75
Operating profit before amortisation	428	-	428	1,230	(395)	835
Amortisation of intangible assets	-	(290)	(290)	-	(223)	(223)
	<u>428</u>	<u>(290)</u>	<u>138</u>	<u>1,230</u>	<u>(618)</u>	<u>612</u>

### 4 Exceptional items

	2004	2003
	£000's	£000's
Operating exceptional items		
Aborted corporate transactions	-	23
Pension fund top up	-	71
Restructuring costs	-	301
	<u>-</u>	<u>395</u>

In the year ended 31st March 2003, there were three areas of non-recurring exceptional cost affecting operating profit identified separately in the Profit and Loss Account. These were expenditure on aborted corporate transactions, top up payments to the Defined Benefit Pension Scheme and restructuring costs associated with organisational changes.

	2004	2003
	£000's	£000's
Non operating exceptional items		
Profit on sale of properties:		
Profit on sale of Park Mill	202	-
Profit on sale of Holden Fold offices	198	-
Loss on sale of Swan Lane Mill	(33)	-
	<u>367</u>	<u>-</u>

### 5 Directors' emoluments

	Remuneration	Benefits	2004	2003
	£000's	£000's	Total	Total
			Remuneration	Remuneration
			£000's	£000's
E.T. Gartside	30.1	6.2	36.3	39.5
G.J. Collyer	150.0	0.4	150.4	95.5
J. Edwards	85.7	5.7	91.4	92.0
D. George	20.0	-	20.0	22.2
J.R.B. Gould	14.8	-	14.8	12.0
R.E. Hough	13.7	-	13.7	-
L.C.W. Jones	-	-	-	65.4
M.O.F. Lewis	-	-	-	109.7
E. Robinson	57.0	6.3	63.3	64.1
D.H. Shaw	3.0	-	3.0	13.0
	<u>374.3</u>	<u>18.6</u>	<u>392.9</u>	<u>513.4</u>

In addition to the above Mr L.C.W. Jones received an ex gratia payment of £16,500 and Mr D.H. Shaw received £9,000 payment for loss of office.

## 5 Directors' emoluments (continued)

Additional disclosures in respect of the pension entitlement of Mr. E. Robinson are given below:

### Defined benefit scheme

Age at 31st March 2004	47
Pensionable years of service	11
	£000's
Accrued pension at 1st April 2003	8.8
Increase in accrued pension excluding inflation	1.3
Accrued pension at 31st March 2004	10.4
Transfer value of accrued pension at 1st April 2003	70.9
Directors' contributions	3.0
Increase in transfer value over year less directors' contributions	11.8
Transfer value of accrued pension at 31st March 2004	<u>85.7</u>

The pension entitlement shown is that which would be granted at age 65 on leaving service at the end of the year. Contributions to the Scheme and benefit derived therefrom are the same for directors as for other Scheme members (see note 30).

### Defined contribution scheme

The Company contributed £6,260 into a money purchase scheme for Mr J. Edwards (2003-£6,180) and £6,750 into a money purchase scheme for Mr G.J. Collyer (2003-£1,687).

The interests of current Directors in the Executive Share Option Scheme and Savings Related Share Option Scheme were as follows:

	At 31st March 2003	Granted	Exercised	Lapsed	At 31st March 2004	Exercise Price (p)
E.T. Gartside						
Savings related options	<u>2,860</u>	-	-	-	<u>2,860</u>	118.0
G.J. Collyer						
Executive share options	17,910	-	-	-	17,910	167.5
Savings related options	<u>6,874</u>	-	-	-	<u>6,874</u>	147.5
	<u>24,784</u>	-	-	-	<u>24,784</u>	
J. Edwards						
Executive share options	20,689	-	-	-	20,689	145.0
Savings related options	<u>4,027</u>	-	-	-	<u>4,027</u>	147.5
	<u>24,716</u>	-	-	-	<u>24,716</u>	
E. Robinson						
Executive share options	17,241	-	-	-	17,241	145.0
"	2,985	-	-	-	2,985	167.5
Savings related options	2,860	-	-	-	2,860	118.0
"	<u>5,532</u>	-	-	-	<u>5,532</u>	147.5
	<u>28,618</u>	-	-	-	<u>28,618</u>	

The periods during which options are exercisable are as follows:

Executive share options - price 145.0p August 2003 to August 2010; 167.5p November 2005 to November 2012

Savings related options - price 118.0p October 2003 to April 2008; 147.5p February 2006 to August 2010

The Directors do not benefit from any other long term incentive schemes.

The market price of the shares at 31st March 2004 was 130p and the range during the year was 125p to 243.5p.

6 Employees	2004	2003
	Number	Number
The average number employed by the Group, including Directors, was:	<u>532</u>	<u>543</u>
The costs incurred in respect of these employees were:	£000's	£000's
Wages and salaries	8,730	8,261
Social security costs	857	769
Pension and other costs	<u>252</u>	<u>382</u>
	<u>9,839</u>	<u>9,412</u>

7 Other operating income	2004	2003
	£000's	£000's
Income from property	<u>22</u>	<u>75</u>

8 Net interest payable	2004	2003
	£000's	£000's
Bank interest payable	150	109
Loan note interest - adjustment to amount previously provided	-	(21)
Finance lease and hire purchase interest payable	<u>45</u>	<u>34</u>
	<u>195</u>	<u>122</u>

9 Profit before taxation	2004	2003
	£000's	£000's
Profit before taxation is arrived at after charging/(crediting):		
Amortisation of intangible fixed assets	290	223
Depreciation of owned assets	767	709
Depreciation of assets held under finance leases and hire purchase contracts	151	169
Operating lease rentals - land and buildings	780	706
- other	467	353
Loss/(profit) on sale of fixed assets	6	(3)
Auditors' remuneration (Company: £4,000; 2003 - £3,000)	56	49
Grant release	(10)	(6)

Non-audit fees paid to Waterworths comprised tax compliance and general advisory fees and amounted to £59,000 (2003 - £22,000) (Company £59,000; 2003 - £3,000), of which £59,000 (2003 - £20,000) is charged in arriving at the operating result. The balance of £nil (2003-£2,000) has been capitalised.

10 Taxation	2004	2003
	£000's	£000's
Taxation is based on the profit for the year and comprises:		
Current tax:		
UK corporation tax on profits for the year	148	149
Adjustment in respect of previous years	<u>(18)</u>	<u>(28)</u>
Total current tax	<u>130</u>	<u>121</u>
Deferred tax:		
Deferred tax in respect of the current year	(18)	58
Adjustment in respect of previous years	<u>(5)</u>	<u>3</u>
Total deferred tax	<u>(23)</u>	<u>61</u>
Total tax charge	<u>107</u>	<u>182</u>

## 10 Taxation (continued)

	2004 £000's	2003 £000's
Current tax reconciliation:		
Profit before taxation	<u>310</u>	<u>490</u>
Notional current tax based on the UK standard rate of 30%	93	147
Expenses not deductible for tax purposes (principally amortisation of intangible fixed assets)	111	83
Capital allowances for the year in excess of depreciation	(10)	(51)
Other short term timing differences	3	(3)
Utilisation of tax losses	(96)	(6)
Chargeable gains in excess of accounting profit	64	-
Small companies relief	(17)	(21)
Adjustment in respect of prior years	<u>(18)</u>	<u>(28)</u>
Current tax charge for the year	<u>130</u>	<u>121</u>

## 11 Profit attributable to the parent company

	2004 £000's	2003 £000's
Net profit/(loss) before dividend received	134	(297)
Dividend received from subsidiary undertaking	<u>2,170</u>	<u>600</u>
Profit for the financial year dealt with in the accounts of the parent company	<u>2,304</u>	<u>303</u>

The company has taken advantage of Section 230 of the Companies Act 1985 and consequently a profit and loss account for the parent company alone is not presented.

## 12 Dividends

	2004 £000's	2003 £000's
Interim dividend paid 28th November 2003 of 1.5p per share (2003 - 1.5p)	100	100
Proposed final dividend of 3.85p per share (2003 - 3.85p)	<u>259</u>	<u>258</u>
	<u>359</u>	<u>358</u>

## 13 Earnings per share

The basic earnings per share figures have been calculated by reference to the weighted average of 6,694,575 shares in issue during the year (2003-6,655,137) and, in respect of the full earnings per share figures, the Group profit for the financial year of £203,000 (2003-£308,000). A reconciliation of this figure to the alternative figure in the profit and loss account is as follows:

	2004 £000's	2004 Pence Per Share	2003 £000's	2003 Pence Per Share
Full earnings	203	3.03	308	4.62
Amortisation of intangible assets	290	4.34	223	3.35
Exceptional items	(367)	(5.49)	395	5.94
Taxation in respect of exceptional items	<u>52</u>	<u>0.78</u>	<u>(119)</u>	<u>(1.78)</u>
Earnings before amortisation and exceptional items	<u>178</u>	<u>2.66</u>	<u>807</u>	<u>12.13</u>

The Directors present the alternative earnings per share figures in order to give an additional indication of the Group's underlying performance.

The diluted earnings per share figure, on both bases above, has been calculated using the same earnings numerators as set out above, by reference to an adjusted average number of shares, as follows:

	2004	2003
Weighted average per basic calculation	6,694,575	6,655,137
Adjustment to reflect dilutive shares under option	<u>54,157</u>	<u>111,722</u>
	<u>6,748,732</u>	<u>6,766,859</u>

	Group			Shiloh PLC
14 Intangible assets	Goodwill £000's	Brands £000's	Total £000's	Brands £000's
Cost 31st March 2003	4,372	1,409	5,781	1,409
Reduction in contingent consideration	(300)	-	(300)	-
Cost 31st March 2004	<u>4,072</u>	<u>1,409</u>	<u>5,481</u>	<u>1,409</u>
Amortisation 31st March 2003	376	12	388	12
Amount provided	<u>220</u>	<u>70</u>	<u>290</u>	<u>70</u>
Amortisation 31st March 2004	<u>596</u>	<u>82</u>	<u>678</u>	<u>82</u>
Net book value 31st March 2004	<u>3,476</u>	<u>1,327</u>	<u>4,803</u>	<u>1,327</u>
Net book value 31st March 2003	<u>3,996</u>	<u>1,397</u>	<u>5,393</u>	<u>1,397</u>

The reduction in goodwill relates to the expected non-payment of contingent consideration in respect of the acquisition of Care & Mobility Limited.

	Freehold Land and Buildings £000's	Leasehold Land and Buildings £000's	Investment Properties £000's	Plant and Machinery £000's	Total £000's
15 Tangible assets					
Group					
Cost or valuation 31st March 2003	857	424	700	7,919	9,900
Additions	-	73	-	608	681
Disposals	-	-	(700)	(239)	(939)
Cost or valuation 31st March 2004	<u>857</u>	<u>497</u>	<u>-</u>	<u>8,288</u>	<u>9,642</u>
Depreciation 31st March 2003	133	131	-	4,127	4,391
Amount provided	14	26	-	878	918
Disposals	-	-	-	(197)	(197)
Depreciation 31st March 2004	<u>147</u>	<u>157</u>	<u>-</u>	<u>4,808</u>	<u>5,112</u>
Net Book Value 31st March 2004	<u>710</u>	<u>340</u>	<u>-</u>	<u>3,480</u>	<u>4,530</u>
Net Book Value 31st March 2003	<u>724</u>	<u>293</u>	<u>700</u>	<u>3,792</u>	<u>5,509</u>
Shiloh PLC					
Cost or valuation 31st March 2003	-	-	-	286	286
Additions	-	5	-	160	165
Group transfers in	857	49	-	-	906
Disposals	-	-	-	(62)	(62)
Cost or valuation 31st March 2004	<u>857</u>	<u>54</u>	<u>-</u>	<u>384</u>	<u>1,295</u>
Depreciation 31st March 2003	-	-	-	122	122
Amount provided	-	1	-	81	82
Group transfers in	147	4	-	-	151
Disposals	-	-	-	(54)	(54)
Depreciation 31st March 2004	<u>147</u>	<u>5</u>	<u>-</u>	<u>149</u>	<u>301</u>
Net Book Value 31st March 2004	<u>710</u>	<u>49</u>	<u>-</u>	<u>235</u>	<u>994</u>
Net Book Value 31st March 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>164</u>	<u>164</u>

## 15 Tangible assets (continued)

Land and buildings at cost or valuation are stated:	Group		Shiloh PLC	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Land-not depreciated:				
at open market value in 1995	155	155	155	-
Buildings:				
at open market value in 1995	668	668	668	-
at cost	531	458	88	-
Investment properties:				
at open market value	-	700	-	-
	<u>1,354</u>	<u>1,981</u>	<u>911</u>	<u>-</u>

The Group has taken advantage of the transitional provisions of FRS 15, "Tangible Fixed Assets", and has continued to include land and buildings at a combination of cost and valuations undertaken before the implementation of the Reporting Standard.

If stated under historical cost principles the comparable amounts for the total of land and buildings and investment properties would be:

	Group		Shiloh PLC	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Cost	1,300	2,236	911	-
Accumulated depreciation	(324)	(333)	(152)	-
Historical cost value	<u>976</u>	<u>1,903</u>	<u>759</u>	<u>-</u>
Net book value of assets held under finance leases	<u>882</u>	<u>1,075</u>	<u>18</u>	<u>-</u>

	Group		Shiloh PLC	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Capital commitments - contracted but not provided for	<u>328</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 16 Investments in subsidiary undertakings

	Shares £000's	Loans £000's	Total £000's
At 31st March 2003	6,118	1,100	7,218
Reclassified as current assets	-	(1,100)	(1,100)
Dormant subsidiary undertakings : return of pre-acquisition profits	(184)	-	(184)
At 31st March 2004	<u>5,934</u>	<u>-</u>	<u>5,934</u>

Shiloh PLC owned the whole of the issued share capital of the following principal subsidiary undertakings, all of which operate in the United Kingdom:

Company	Activity
Shiloh Healthcare Ltd.	Healthcare products and services
Trust Sterile Services Ltd.	Sterilisation and decontamination services
Shiloh Mobility Ltd.	Mobility products and services
Fast-Aid Products Ltd.	Healthcare product distribution
Macdonald & Taylor Ltd.	Cotton wool products

During the year the assets of Shiloh Properties Limited were sold or transferred to other Group undertakings. On 31st March 2004, the trade and assets of ICR Mobility Limited were transferred to Shiloh Mobility Limited.

## 17 Stocks

	Group		Shiloh PLC	
	2004	2003	2004	2003
	£000's	£000's	£000's	£000's
Raw materials	1,302	1,191	-	-
Work in progress	90	83	-	-
Finished products including goods for resale	4,924	4,480	-	-
	<u>6,316</u>	<u>5,754</u>	<u>-</u>	<u>-</u>

## 18 Assets held for resale

	Group		Shiloh PLC	
	2004	2003	2004	2003
	£000's	£000's	£000's	£000's
Land and Buildings	-	776	-	74
	<u>-</u>	<u>776</u>	<u>-</u>	<u>74</u>

## 19 Debtors

	Group		Shiloh PLC	
	2004	2003	2004	2003
	£000's	£000's	£000's	£000's
Trade debtors	6,728	7,246	16	2
Amounts due from subsidiary undertakings	-	-	5,333	3,995
Prepayments	477	512	156	150
Advance Corporation Tax recoverable	-	-	40	53
Other debtors	88	84	69	2
	<u>7,293</u>	<u>7,842</u>	<u>5,614</u>	<u>4,202</u>

## 20 Creditors-amounts falling due within one year

	Group		Shiloh PLC	
	2004	2003	2004	2003
	£000's	£000's	£000's	£000's
Trade creditors	6,456	6,749	152	114
Contingent consideration	300	-	300	-
Deferred consideration	100	100	100	100
Bank overdraft	986	2,251	2,345	3,115
Amounts due to subsidiary undertakings	-	-	1,588	2,350
Other creditors	84	208	14	41
Accruals	630	1,114	77	180
Finance lease and hire purchase obligations	247	246	11	-
Dividend	259	257	259	257
Corporation Tax payable	124	93	57	8
Other taxation and social security	690	829	40	112
	<u>9,876</u>	<u>11,847</u>	<u>4,943</u>	<u>6,277</u>

The bank overdraft is secured by fixed and floating charges over the assets of group undertakings together with cross guarantees between those companies.

## 21 Creditors-amounts falling due after more than one year

	Group		Shiloh PLC	
	2004	2003	2004	2003
	£000's	£000's	£000's	£000's
Contingent consideration	200	800	200	500
Deferred consideration	100	200	100	200
Finance lease and hire purchase obligations	387	592	24	-
	<u>687</u>	<u>1,592</u>	<u>324</u>	<u>700</u>

Finance lease and hire purchase obligations are repayable as follows:

Within one year	247	246	11	-
Between one and two years	210	235	11	-
Between two and five years	177	357	13	-
	<u>634</u>	<u>838</u>	<u>35</u>	<u>-</u>

## 22 Provision for liabilities and charges

Deferred taxation provided in the accounts, and the amounts for which no provision has been made, are as follows:

Group	Provided		Unprovided	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Capital allowances in excess of depreciation	324	347	-	-
Surplus on revaluation of investment properties	-	-	-	160
Capital losses	-	-	-	(95)
	<u>324</u>	<u>347</u>	<u>-</u>	<u>65</u>
Advance Corporation Tax	(40)	(53)	-	-
	<u>284</u>	<u>294</u>	<u>-</u>	<u>65</u>

The potential tax liabilities which might arise in the event of disposal of revalued land and buildings are not quantified as the Directors do not consider them to constitute timing differences after taking account of expected rollover relief.

Shiloh PLC	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Capital allowances in excess of depreciation	<u>65</u>	<u>-</u>	<u>-</u>	<u>-</u>

The movement on the provision for deferred taxation is as follows:

	Group £000's	Shiloh PLC £000's
At 31st March 2003	347	-
Group Transfer	-	63
Profit and loss account - (credit)/charge for the year	(23)	2
	<u>324</u>	<u>65</u>
Recoverable Advance Corporation Tax	(40)	-
At 31st March 2004	<u>284</u>	<u>65</u>

## 23 Deferred credit

	Group		Shiloh PLC	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Grants received				
At 31st March 2003	111	117	-	-
Grant received	21	-	-	-
Group transfer in	-	-	38	-
Released to profit and loss account	(10)	(6)	-	-
At 31st March 2004	<u>122</u>	<u>111</u>	<u>38</u>	<u>-</u>

## 24 Share capital

	2004 £000's	2003 £000's
Authorised:		
8,000,000 Ordinary shares of 25p each	<u>2,000</u>	<u>2,000</u>

Allotted, called up and fully paid:	2004 Number	2003 Number	2004 £000's	2003 £000's
At 31st March 2003	6,686,524	6,606,632	1,672	1,652
Allotted during the year	21,967	79,892	5	20
At 31st March 2004	<u>6,708,491</u>	<u>6,686,524</u>	<u>1,677</u>	<u>1,672</u>

At 31st March 2004 there were share options on 305,052 (2003 - 393,832) ordinary shares which are exercisable between August 2000 and November 2012 at prices between 113p and 167.5p.

25 Reserves	Share Premium Account £000's	Revaluation Reserve £000's	Profit and Loss Account £000's
<b>Group</b>			
At 31st March 2003	1,273	802	8,368
Added on allotment of shares	21	-	-
Released on depreciation	-	(1)	1
Released on disposal of properties	-	(727)	727
Retained loss for the year	-	-	(156)
At 31st March 2004	<u>1,294</u>	<u>74</u>	<u>8,940</u>
<b>Shiloh PLC</b>			
At 31st March 2003	1,273	73	3,449
Added on allotment of shares	21	-	-
Released on disposal of properties	-	(73)	73
Retained profit for the year	-	-	1,945
At 31st March 2004	<u>1,294</u>	<u>-</u>	<u>5,467</u>

The Group revaluation reserve includes £nil (2003 - £41,000) in respect of the Group's investment properties. Commencing at 1st April 1986, the cumulative amount of goodwill arising on acquisitions which has been taken to reserves at the balance sheet date is £535,000.

## 26 Reconciliation of operating profit to operating cash flows

	2004 £000's	2003 £000's
Operating profit	138	612
Depreciation	918	878
Loss/(profit) on sale of tangible fixed assets	6	(3)
Government grant released to profit and loss account	(10)	(6)
Amortisation of intangible fixed assets	290	223
(Increase) in stocks	(562)	(787)
Decrease/(increase) in debtors	522	(560)
(Decrease)/increase in creditors	(726)	1,075
Net cash inflow from operating activities	<u>576</u>	<u>1,432</u>

## 27 Analysis of changes in net debt

	At 31st March 2003 £000's	Cash Flow £000's	Other Non Cash Changes £000's	At 31st March 2004 £000's
Cash at bank and in hand	297	(223)	-	74
Bank overdraft	(2,251)	1,265	-	(986)
	(1,954)	1,042	-	(912)
Hire purchase obligations	(838)	268	(64)	(634)
Short term deposits	450	(450)	-	-
	<u>(2,342)</u>	<u>860</u>	<u>(64)</u>	<u>(1,546)</u>

## 28 Contingent liabilities

The Company has guaranteed bank loans and overdrafts of certain subsidiary undertakings which at 31st March 2004 were £nil (2003 - £49,000).

## 29 Financial commitments

At 31st March 2004 the Group had annual commitments under operating leases as follows:

	2004	2003
	£000's	£000's
Land and buildings:		
Expiring within one year	183	141
Expiring between two and five years	170	91
Expiring in over five years	397	414
	<u>750</u>	<u>646</u>
Other operating leases:		
Expiring within one year	113	87
Expiring between two and five years	333	348
	<u>446</u>	<u>435</u>

## 30 Pensions

The Group operates a defined benefit pension scheme, providing benefits based on the final pensionable salary, and defined contribution pension schemes for eligible employees.

The assets of the defined benefit pension scheme are held in separate trustee administered funds and the Group's contributions to the scheme are determined by the Directors based on triennial valuations by a qualified actuary using the age attained method. The defined benefit scheme is now closed to new members and the salary level by which benefits are calculated is now capped at £50,000.

The most recent valuation was dated 20th October 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increases in salaries. It was assumed the investment return would be 7% per annum and that salary increases would average 5% per annum. The most recent actuarial valuation showed that the market value of the scheme's assets was £6.8 million and that the actuarial value of those assets represented 100% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The Pensions Act 1995 introduced the Minimum Funding Requirement for defined benefit pension schemes. Calculations have been carried out to assess the scheme's funding position against the Minimum Funding Requirement and on the prescribed basis the value of the scheme's assets represented 106% of the value of the benefits as at 20th October 2001.

The contributions of the Group are currently 13.8% of basic earnings. Scheme members contribute 6% of basic earnings. In addition, the Group makes contributions to provide death in service benefits, which are a refund of contributions and a lump sum equal to three times Scheme salary. One half of the accrued pension shown is also payable should there be a surviving spouse.

The pension cost of this scheme to the Group was £130,000 (2003 - £271,000). The reduction in cost has arisen partly because of the top up to the scheme in the previous year and partly because of the departure of several employees who were members of the Scheme.

The Group also paid £113,000 (2003 - £111,000) into the separate defined contribution schemes.

Whilst the Group continues to account for pensions in accordance with SSAP 24, "Accounting for Pension Costs", as above, under FRS 17, "Retirement Benefits", the following transitional disclosures are required:

The valuations were updated by the actuary on an FRS 17 basis as at 31st March 2004.

The major assumptions used by the actuary were:

	2004	2003	2002
Rate of increase in salaries	3.2%	3.2%	3.8%
Rate of increase in pensions in payment pre October 1999	5.0%	5.0%	5.0%
post October 1999	2.7%	2.7%	2.8%
Discount rate	5.0%	5.0%	5.8%
Inflation	2.7%	2.7%	2.8%

### 30 Pensions (continued)

The assets and liabilities in the scheme and the expected rate of return on investments were:

	2004		2003		2002	
	Rate of Return	£000's	Rate of Return	£000's	Rate of Return	£000's
Equities	7.0%	5,270	7.0%	3,903	7.0%	5,171
Bonds and fixed interest	5.5%	1,710	5.5%	1,839	5.5%	2,085
Cash	5.0%	754	5.0%	807	5.0%	899
Market value of assets		7,734		6,549		8,155
Present value of scheme liabilities		(10,549)		(10,323)		(9,390)
Deficit		(2,815)		(3,774)		(1,235)
Deferred tax asset		845		1,132		370
Net deficit in scheme at 31st March 2004		<u>(1,970)</u>		<u>(2,642)</u>		<u>(865)</u>
Movement in deficit during year:		£000's		£000's		
Deficit in scheme at 31st March 2003		(3,774)		(1,235)		
Current service cost		(85)		(176)		
Other finance costs		(100)		(22)		
Contributions paid		122		176		
Actuarial gain/(loss)		1,022		(2,517)		
Deficit in scheme at 31st March 2004		(2,815)		(3,774)		
Deferred tax asset		845		1,132		
Net deficit in scheme at 31st March 2004		<u>(1,970)</u>		<u>(2,642)</u>		

If FRS 17 had been fully adopted in these financial statements the pension costs for the defined benefit scheme would have been:

	2004 £000's	2003 £000's
Analysis of other pension costs which would have been charged in arriving at operating profit		
Current service cost	<u>85</u>	<u>176</u>
Analysis of other finance costs		
Expected return on pension scheme assets	412	524
Interest on pension scheme liabilities	<u>(512)</u>	<u>(546)</u>
Net return	<u>(100)</u>	<u>(22)</u>

Analysis of the amounts which would have been recognised in the Consolidated Statement of Total Recognised Gains and Losses

	2004		2003	
	£000's	%	£000's	%
Actual return less expected return on scheme assets	850	11 *	(2,111)	(32) *
Experience gains and losses arising on scheme liabilities	172	(2) †	1,048	(10) †
Changes in assumptions underlying the present value of scheme liabilities	-		(1,454)	
Actuarial gain/(loss) recognised in the Consolidated Statement of Total Recognised Gains and Losses	<u>1,022</u>	(10) †	<u>(2,517)</u>	24 †

\* As a percentage of scheme assets

† As a percentage of scheme liabilities

### 31 Reconciliation of movement in equity shareholders' funds

	2004 £000's	2003 £000's
Profit attributable to ordinary shareholders	203	308
Dividends	<u>(359)</u>	<u>(358)</u>
	(156)	(50)
New share capital issued	26	153
Revaluation deficit	-	<u>(150)</u>
Net depletion in shareholders' funds	(130)	(47)
Opening shareholders' funds	12,177	12,224
Closing shareholders' funds	<u>12,047</u>	<u>12,177</u>

### 32 Related party transactions

No director of the Company had any material interest in any contract to which the Company or any subsidiary undertaking was a party during the financial year.

### 33 Financial instruments

Set out below are the disclosures required by FRS 13 "Derivatives and other financial instruments". Disclosures exclude short term debtors and creditors where permitted.

#### Financial instruments

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources, and various items such as trade debtors and creditors, etc. that arise directly from its operations.

#### Interest rate risk

The Group finances its operations through a mixture of retained profits, bank overdrafts and finance lease and hire purchase arrangements. The Group mainly borrows at floating rates of interest.

#### Liquidity risk

As disclosed in note 27, at 31st March 2004 the Group had net debt of £1,546,000 (2003 - £2,342,000) and, in addition, had overdraft facilities of £3,000,000 (2003 - £4,500,000), of which £2,014,000 (2003 - £2,249,000) was unutilised.

#### Currency risk

The functional currency of the Group is Sterling. The Group has transactional currency exposures, principally on purchases by operating units in other currencies. The Group regularly reviews its exposure and the need to hedge through forward contracts.

#### Currency and interest profile of net debt

Currency	2004				2003			
	Total £000's	Non-interest Bearing £000's	Floating Rate £000's	Fixed Rate £000's	Total £000's	Non-interest Bearing £000's	Floating Rate £000's	Fixed Rate £000's
Sterling	(1,803)	57	(1,504)	(356)	(2,506)	249	(2,346)	(409)
Euros	330	-	330	-	307	-	307	-
Other	(73)	-	(73)	-	(143)	-	(143)	-
Net debt	<u>(1,546)</u>	<u>57</u>	<u>(1,247)</u>	<u>(356)</u>	<u>(2,342)</u>	<u>249</u>	<u>(2,182)</u>	<u>(409)</u>

In addition, there were short term creditors denominated in foreign currency, principally in Euros, of £1,264,000 (2003 - £1,253,000) and debtors similarly denominated of £16,000 (2003 - nil).

Floating rate assets and liabilities bear interest at market rates based on U.K. bank base rate.

#### Maturity of net debt

	2004			2003		
	Total £000's	Assets £000's	Liabilities £000's	Total £000's	Assets £000's	Liabilities £000's
In one year or less, or on demand	(1,159)	74	(1,233)	(1,750)	747	(2,497)
In more than one year but not more than two years	(210)	-	(210)	(235)	-	(235)
In more than two years but not more than five years	(177)	-	(177)	(357)	-	(357)
Net debt	<u>(1,546)</u>	<u>74</u>	<u>(1,620)</u>	<u>(2,342)</u>	<u>747</u>	<u>(3,089)</u>

#### Fair values

In the opinion of the Directors, there is no material difference between the fair values and book values of the Group's financial assets and liabilities.

# Financial Record

	2000 £000's	2001 £000's	2002 £000's	2003 £000's	2004 £000's
Turnover	<u>41,833</u>	<u>28,906</u>	<u>39,927</u>	<u>45,441</u>	<u>45,121</u>
Operating profit/(loss) before amortisation of intangible assets	(60)	1,055	1,349	1,230	428
Exceptional items (including amortisation of intangible assets)	<u>(3,332)</u>	<u>(31)</u>	<u>(472)</u>	<u>(618)</u>	<u>77</u>
Profit/(loss) on ordinary activities	(3,392)	1,024	877	612	505
Net interest (payable)/receivable	<u>(23)</u>	<u>109</u>	<u>(60)</u>	<u>(122)</u>	<u>(195)</u>
Profit/(loss) on ordinary activities before taxation	(3,415)	1,133	817	490	310
Taxation	<u>1,087</u>	<u>(251)</u>	<u>(227)</u>	<u>(182)</u>	<u>(107)</u>
Profit/(loss) after taxation	(2,328)	882	590	308	203
Minority interests	<u>47</u>	<u>14</u>	<u>(71)</u>	<u>-</u>	<u>-</u>
Attributable to ordinary shareholders	(2,281)	896	519	308	203
Dividend	(1,199)	(316)	(342)	(358)	(359)
Retained (loss)/profit	<u>(3,480)</u>	<u>580</u>	<u>177</u>	<u>(50)</u>	<u>(156)</u>
Earnings before interest, tax, depreciation and amortisation of intangible assets (EBITDA)					
Before exceptional items	855	1,636	2,064	2,108	1,346
After exceptional items	(2,477)	1,636	1,726	1,713	1,713
Ordinary capital at year end	1,545	1,631	1,652	1,672	1,677
Earnings/(loss) per ordinary share of 25p					
Basic	(37.31p)	14.15p	7.92p	4.62p	3.03p
Before amortisation of intangible assets and exceptional items	(1.17p)	14.64p	15.13p	12.13p	2.66p
Dividends per 25p share - ordinary	4.40p	4.85p	5.20p	5.35p	5.35p
- special	15.00p	-	-	-	-

To assist in the computation of United Kingdom capital gains tax the market value of the 25p ordinary shares of the Company after adjustment for the 1 for 1 capitalisation issue was as follows:-

6th April 1965	10.00p
31st March 1982	9.25p

# Notice of Meeting

Notice is hereby given that the fifty first Annual General Meeting of the Company will be held at Royton Cricket, Bowling and Tennis Club, The Paddock, Bransdale Avenue, Royton, OL2 5TX on Friday, 18th June 2004 at 11.30 a.m. for the following purposes:

## Ordinary Business

- 1 To receive and consider the Statement of Accounts, together with the Directors' and Auditors' Reports for the year ended 31st March 2004.
- 2 To approve a final dividend.
- 3 To approve the Directors' Remuneration Report for the year ended 31st March 2004.
- 4 To re-elect as a Director Mr E.T. Gartside who attained the age of 70 years on 11th November 2003. Special notice of the intention to propose a resolution for his re-election has been received by the Company.
- 5 To re-appoint Waterworths as auditors for the ensuing year and to authorise the Directors to fix their remuneration.

## Special Business

To consider and, if thought fit, pass the following Resolutions, of which Resolution number 6 will be proposed as an Ordinary Resolution and Resolutions numbers 7 and 8 as Special Resolutions:

- 6 That the Directors be generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("The Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80) up to an aggregate nominal value of £322,877, such authority to expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the date of the passing of this resolution 6 unless varied, revoked or renewed by the Company in general meeting save that the Company may at any time before such expiry make an offer or agreement which would or might require the allotment of securities after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution 6 had not expired. This authority shall replace all existing authorities conferred on the Directors in respect of the allotment of relevant securities to the extent that the same have not been previously allotted.
- 7 That, subject to the passing of resolution 6 above the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by resolution 6 above as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited:
  - (i) to the allotment of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practical) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
  - (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities to an aggregate amount of 5% of the nominal value of the ordinary shares in issue at the date of the passing of this resolution;and shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or fifteen months after the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.
- 8 That the Company is hereby generally and unconditionally authorised for the purpose of section 166 of the Act to make one or more market purchases (within the meaning of section 163 (3) of the Act) of fully paid ordinary shares of 25 pence each in the capital of the Company ("ordinary shares") provided that:
  - (i) the maximum aggregate number of ordinary shares authorised to be purchased is 670,849, being 10% of the ordinary shares in issue at the date of passing of this resolution;
  - (ii) the maximum price (exclusive of any expenses) which may be paid for an ordinary share shall not be more than 5% above the average of the middle market quotations for an ordinary share as derived from the Daily Official List of The London Stock Exchange Limited for the 5 business days immediately preceding the day on which the ordinary share is purchased;
  - (iii) the minimum price which may be paid for each ordinary share is 25 pence (exclusive of any expenses);
  - (iv) unless previously revoked or varied, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months from the date, if earlier, of passing this resolution; and;
  - (v) the Company may make a contract or contracts to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of its ordinary shares in pursuance of such contract as if the authority hereby conferred had not expired.

By Order of the Board,  
David R. Stubbins  
Secretary  
18th May 2004

## Notes:

- (i) A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy need not be a member of the Company. A form of Proxy accompanies this document for your use. To be valid, Forms of Proxy together with the power of Attorney or other authority (if any) under which it is signed, or notorally certified copy of such Power of Attorney, must be deposited at the registered office of the Company not later than forty eight hours before the time of the meeting. Deposit of a Form of Proxy will not prevent a member from attending and voting in person should he/she so wish.
- (ii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Register of Members of the Company as at 6.00p.m. on 16th June 2004 shall be entitled to attend or vote at the aforesaid Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00p.m. on 16th June 2004 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
- (iii) A copy of the Executive Director's service contract and the Register of Directors' Interests in the share capital of the Company are available for inspection at the registered office of the Company during normal business hours and at the place of the Annual General Meeting for 15 minutes prior to the start of the Meeting and during the Meeting.

## 2004/05 Financial Calendar

30 Sept

Nov

Dec

31 March

May

End of first half  
of financial year  
Interim results announced  
Interim dividend paid  
Year end  
Preliminary Results

# Shiloh

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Our aim is to develop innovative, long term mutually-beneficial partnerships with healthcare providers in the supply of continence care, mobility and rehabilitation, prevention of infection and wound management.

Partnerships that will add value through the supply, distribution and brand development of the products and services we provide.

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[www.shiloh.co.uk](http://www.shiloh.co.uk)