

Company No. 516671

shiloh plc  
**report+accounts**  
2004/05

**Shiloh**  
◆ PLC



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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.

# highlights

- ◆ Gross margin increased to 29.4%
- ◆ Headline loss before tax of £0.9m\*
- ◆ Further progress with contract tenders in the NHS decontamination programme.  
First wave yet to announce preferred bidders
- ◆ New wipes machinery fully operational with significant improvement in output levels in the second half
- ◆ Additional NHS wipes contracts secured albeit at lower gross margins
- ◆ NHS has announced that they will manage home delivery of continence care products in England in-house. Opportunity for increased sales of shaped pads following NHS contract award
- ◆ Significant growth in Comfi bandage range
- ◆ New NHS wheelchair service contracts performing well
- ◆ Review of Active Care complete. Decision taken to exit retail and focus on NHS contracts, institutional sales and sales to the general public through mail order
- ◆ Sale of retail business to Bright Futures Group Plc announced on 31st March 2005.  
Divestment plan is progressing in line with our expectations
- ◆ Four Active Care sites closed during the year
- ◆ Review of overheads using external consultants initiated

\*Loss before tax of £5.6m after charging amortisation of intangible assets (£290,000), goodwill impairment (£1,351,000), exceptional operating costs (£927,000), exceptional pre-contract bid costs (£355,000) and losses and provisions on sale and cessation of operations (£1,803,000). The amortisation of intangible assets and impairment of goodwill were non-cash items as were £2.18 million of the exceptional operating costs and the losses and provisions on cessation of operations. The exceptional pre-contract costs were all cash items.

“We rely on the dedication of our employees, which has been clearly demonstrated in what has been a tough year”

# chairman's statement

## overview

It is my pleasure to give my first report to shareholders, albeit I would wish in better circumstances. I joined the Board on 1st December 2004 and assumed the role of Chairman on 1st January 2005. The financial year ended 31st March 2005 has been to say the least, challenging, whilst commercially Shiloh strengthens its position as a significant player in the healthcare sector.

At the interim stage, my predecessor, Edmund Gertside, reported to shareholders on a loss in our Active Care Division of £1.2 million on sales of £5.2 million. He reported that the loss was due to the lack of control at the operating level and serious failures in its accounting system. Following an extensive investigation, we embarked on a programme involving site closures and sale of retail businesses. Our focus for Active Care going forward will be on NHS contract business, institutional sales (to NHS off-contract, Social Services, charities and to nursing homes) and to the general public through a mail order service. We have taken steps to divest properties within the Active Care Division with long lease commitments, and made appropriate provision for ongoing rentals as exceptional costs within the losses and provisions on sale and cessation of operations. That being said, we have strengthened the management team in this division and remain committed to ensuring that this refocused business is successful.

For the full year, sales of the Active Care Division were £9.8 million including approximately £1.0 million which is now discontinued. This generated a loss for the year of £1.8 million before exceptional costs totalling £2.56 million of which £2.18 million is in respect of non-cash items.

Steps have been taken to strengthen the finance function and I am delighted that Mike Fazal joined the Board on 1st April 2005. Concurrent with this appointment, a major initiative to reduce overhead and operating cost has commenced and is essential to the future well-being of the Group.

The Medical Division overall performed well, close to our expectations. Strong performances in the Fast-Aid distribution business in Scotland and in the Macdonald & Taylor cotton wool business were offset by teething problems with the new wipes machinery, but significant progress has been made on the latter project in the second half of the year. Further details are given in the Chief Executive's review.

The Sterilisation Services Division performed close to our expectations for the year and I am delighted that in February the Lanarkshire contract, which represents about half of the division's turnover, was renewed for a further seven year period with a possible extension of three years. We are involved in the bidding process in the NHS decontamination programme for England. Details of the bids are controlled by publicity and confidentiality provisions. Last year we announced that

we had been short-listed for a number of the contracts in the first wave and, whereas none of these have yet reached preferred bidder stage, I am pleased to be able to update that in addition to the contracts in the first wave, we have been short-listed for a number of the contracts in the second wave.

The external costs of the significant work and effort involved in moving the tendering process forward is £355,000 in the year and this is shown as a separately identified exceptional item. The effort from our own team, whilst not financially quantified, is also significant.

## results

Operating loss for the year before tax, amortisation and impairment of intangible assets and exceptional items was £673,000 (2004: £428,000 profit). Turnover was £44.74 million (2004: £45.12 million).

Group loss before tax was £857,000 before charging amortisation of intangible assets of £290,000, goodwill impairment of £1,351,000, operating exceptional items of £927,000, exceptional pre-contract bid costs of £355,000 and losses and provisions on sale and cessation of operations of £1,803,000 (2004: £233,000 profit before charging amortisation of intangible assets of £290,000 and crediting an exceptional profit on sale of properties of £367,000).

Loss per share before amortisation of intangible assets and exceptional costs is 10.31p per share (2004: 2.66p earnings).

## dividend

As a result of the loss in the year and the obvious need to preserve cash the Directors do not believe that it is appropriate to pay a dividend.

## finance

Cash flow has been negative during the year and net borrowings have increased by £2,108,000 to £3,654,000. £326,000 has been spent on new plant and equipment, mainly on the new wipes machinery.

It is pleasing to note that the FRS 17 defined benefit pension scheme deficit has fallen by £79,000 during the year due to a net increase in the value of the scheme's investments.

## employees

We rely on the dedication and the 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 which staff have shown both in the year and in the project to remove overhead from the Group, which I believe is essential in stabilising the base business in order that we can capitalise on the significant opportunities which we are now pursuing.

## outlook

We expect the demand for the Group's products and services to increase with the growth in the NHS budget. That being said, the NHS have embarked on a programme to improve the supply chain and never has it been more important for us to focus on cost reduction and efficiency improvement. We are well placed to win business in the NHS decontamination programme for England.



**D. S. Winterbottom**  
Chairman

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

■ chief executive's  
review

The Group has had a very tough year with a great deal of effort needed in managing out problems in the Active Care division. In addition to this, savings associated with the investment in new wipes machinery have been slower to materialise than we had planned.

Overall, we believe that our strategy remains on course and in my review, I hope to be able to provide a balanced picture of areas which have been positive and the problems we have encountered.

A key focus for us has been on higher margin activity and, in the year, it is pleasing to see that gross profit as a percentage of sales rose from 29.2% to 29.4%. As explained below, the NHS through the Supply Chain Excellence Programme (SCEP) has commenced the process of reducing cost in a number of our key areas and whereas we expect to see some growth in volume, we expect that it will be difficult to increase levels of percentage gross profit.

Cash flow has been an area of focus throughout the year as a result of the poor trading performance and the need to fund the decontamination bidding process. That said, cash management has and will continue to be at the top of our agenda.

In February we employed the services of external consultants to assist in taking overhead out of the Group on a sustainable basis. The process is now well under way and I am delighted that the project has full support throughout the senior management team.

## medical

The division is mainly focused on disposable products for use within the NHS and private healthcare sector. It provides product and service solutions in the areas of continence care, infection prevention and wound management. On 1st January 2005 we signed an exclusive distribution agreement for the UK and Ireland for the TempurMed range of pressure sore prevention products and took the opportunity of positioning the ROHO range of products alongside it within the Medical Division. Subsequently the ROHO range of products has benefited from management focus thus resulting in increased sales activity. Pressure sore prophylaxis and treatment sits better alongside the wound management portfolio than within Active Care.

Divisional sales were £32.9 million up from £32.1 million in 2004. Within the year we saw another strong performance from our Scottish distribution business, Fast-Aid Products, that saw both sales and profits increase, and likewise in Macdonald & Taylor, our cotton wool business, where profits increased although sales were flat. In Shiloh Healthcare, the company which sells the branded products, sales were slightly ahead of the previous year and although profitability had improved on the previous year, they fell short of our expectations due to start up problems with the wipes machinery and some resistance to the switch in

supplier of our sub-contracted continence care products.

The Comfi range of bandages had an exceptional year, well ahead of our expectations and showed sales growth of over 135%. Vacutex was added to the wound management range during the year and although the brand has suffered competition from copies, this entry into the primary wound dressing market is an important step for us. During the year, we launched Comfoam, a primary wound dressing which competes in a very large and growing market.

As mentioned above, the NHS announced a new initiative to reduce costs within the supply chain. The first wave of contracts within the SCEP involved wipes, where the contracts had only just been awarded, and shaped pads. Although there will be a negative impact on our gross profits in these areas, we have secured the contracts and have seen the start of volume increases as a result. For Clinisan, a product which is widely preferred by healthcare professionals, we were not successful in retaining the contract and we lost the business on price. There remain opportunities to sell off-contract and management continue to support the brand and are seeking further sales opportunities.

A further consequence of the NHS SCEP initiative is that the NHS Purchasing and Supplies Agency has indicated that home delivery logistics operations will be taken in-house. Over the last couple of years, we have been successful in maximising profits from the contracts we hold, but because we do not manufacture the entire range ourselves, we were not well placed to win new business or indeed retain contracts when they became due for renewal. Although the hard work in taking costs out of the operation should not be overlooked, the loss of home delivery contracts will be positive for the Group as long as we are successful in selling manufactured product into the service for distribution by the NHS.

## active care

At the half year, following a change in management, we discovered a severe lack of control at the operating level and serious failures in the accounting systems. As a result, significant additional resource was recruited on a temporary basis and a full review of the operation was initiated. The conclusion to the exercise was that we should seek to exit retail and to refocus the business to NHS contracts, selling to institutional customers such as NHS off-contract, Social Services, charities and nursing homes, and to the general public through a mail order service.

The Carlisle and Morecambe outlets were closed in early January and at the end of March the outlets in Bootle and Newcastle were closed. Following the announcement of the sale of the retail operations to Bright Futures Group Plc, the outlets at Cardiff and Sunderland have been transferred, and we are in the process of transferring those at Ilford and Clacton. The

shop front at Rayleigh is to transfer at the same time completing our exit. There are a number of properties where the leases have to be either assigned or sub-let arrangements negotiated namely at Stoke, Bootle, Newcastle and part of Sunderland. Provisions have been made for these as part of the exceptional costs.

The new NHS wheelchair service and repair contracts in Northern Ireland and Preston are now both fully functioning and we have received positive feedback from the customers at each location. Contracts for wheelchair service and repair in the North East and stair lift service and repair in Lancashire were lost during the year. We have initiated a wheelchair service best practice forum with the intention of improving standards of service while sharing procedures aimed at maximising profitability. We will continue to bid for new contracts in this area.

## sterilisation services

The division was established two years ago as a new concept for the decontamination of surgical instruments in the private sector. It operates from custom-built sterilisation facilities at Bellshill, Lanarkshire which became operational in the spring of 1998.

The business performed well during the year with sales at a similar level to the previous year and with profits in line with our expectations. Importantly, during the year the contract for Lanarkshire was put out for tender following a two year roll-on of the contract which was secured in 1998. This contract was re-awarded to us in February 2005 to commence on 1st April 2005 with a 7 year duration and with a possible 3 year roll-on. This represents about half the turnover of the division.

We have been very active in the bidding process for the NHS decontamination programme in England. External costs are shown as a separate exceptional item and since preferred bidders have not been appointed during the year, in line with generally accepted accounting practice, these costs have been written off. Clearly the internal efforts of a small group of the senior management team are not identified in these costs. I am very grateful for the contributions of the team working on the projects and hope that their efforts are rewarded by us winning at least one contract in the first wave.

## management

It has been another challenging year for the business with a combination of successes, opportunities and some significant challenges as a result of under-performing areas. The management team has worked hard in implementing changes during the year and is fully committed to the initiatives and strategies agreed for the forthcoming year.

During the year we appointed additional expertise in the Active Care Division to aid in the changed focus of the sales force working on a field based structure whose emphasis will now be directed solely at institutional customers as opposed to working from our regional outlets.

On 1st April 2005 Mike Fazal joined as Finance Director and this appointment will bring both new skills and energy to the team.

## strategy

Our aim is to develop innovative, long-term, mutually beneficial partnerships with healthcare providers in the areas 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 revised strategy for Active Care and create a market-leading company in a fragmented market by focusing on our core strength in NHS contracts and further develop sales to institutional customers while selling to the general public only through our mail order service
- ◆ grow the medical business by adding complementary products in the continence care, infection prevention and wound management markets, either through acquisition or 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 problems in the year have been a considerable set back. We believe that the actions taken have placed us in a good position to deliver the strategy.

**G.J. Collyer**  
Chief Executive



## chairman

### **David S. Winterbottom**

FCA FCT  
Chairman  
*Appointed 2004*  
*Non-Executive Chairman of Hill and Smith Holdings PLC*  
*Chairman of CPL Industries Ltd and Wightlink Shipping Ltd*

## 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*

### **Mike D. Fazal**

BEng ACA  
Finance Director  
*Appointed 2005*  
*Group Financial Controller, Volex Group plc 2003 - 2005*  
*Senior Manager, Arthur Andersen 1994 - 2003*

### **Eric Robinson**

BSc MBA  
Managing Director  
Fast Aid Products Ltd  
*Appointed 2000*  
*Consultant, Scottish Agricultural Industries (ICI) 1979 - 1991*

# board of directors and advisers

## non-executive directors

### **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, the Cheshire Building Society and QA plc*

### **Edmund T. Gartside**

TD DL MA CCMI  
Non-Executive Director  
*Appointed 1960*  
*Chairman 1966 - 2005*  
*Managing Director 1965 - 2000*

## company secretary

### **David R. Stubbins**

MA FCA  
Company Secretary  
*Appointed 1990*  
*Finance Director, J. B. Battye & Co Ltd 1984 - 1989*

## advisers

**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](mailto:Shareholder.Services@capitaregistrars.com)

# directors' report

The Directors present their Annual Report and the Accounts of the Group for the year ended 31st March 2005.

## 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. The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in Note 17.

## Business Review

A review of the Group's activities is contained in the Chairman's Statement and Chief Executive's Review on pages 2 to 6.

## Group Profit and Dividends

The Group loss before taxation for the year ended 31st March 2005 amounted to £5,583,000 (2004 - £310,000 profit). No interim dividend was paid during the year and the Directors do not recommend the payment of a final dividend.

## Directors

Mr D. George did not seek re-election at the last Annual General Meeting and left the Board on 18th June 2004. Mr J. R. B. Gould retired from the Board on 31st December 2004. Mr D. S. Winterbottom was appointed to the Board on 1st December 2004, and assumed the Chairmanship on 1st January 2005. Mr M. D. Fazal was appointed to the position of Finance Director on 1st April 2005. Mr J. Edwards resigned from the Board on 5th May 2005. Messrs Winterbottom and Fazal will retire from office in accordance with Article 104 and, being eligible, will offer themselves for election at the forthcoming Annual General Meeting. The Director retiring by rotation is Mr R. E. Hough, who being eligible, offers himself for re-election.

## Directors' Interests

At 31st March 2005, the interests of Directors in the ordinary shares of the Company were as follows:

<b>Beneficial Interests</b>	<b>2005</b>	<b>2004*</b>
G. J. Collyer	87,954	87,954
J. Edwards	1,000	1,000
E. T. Gartside	223,471	296,471
R. E. Hough	750	750
E. Robinson	11,564	11,564
D. S. Winterbottom	2,000	-
Non-beneficial interest as trustee:		
E.T. Gartside	61,346	64,346

\*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 9th May 2005:

	<b>Number</b>	<b>%</b>
Gartmore Investment Management plc	720,674	10.74

## Share Capital

At 31st March 2005 the Company had authority to acquire 670,849 of its own shares. The Company did not exercise this authority during the year nor subsequently. The authority conferred will expire at the conclusion of the Annual General Meeting and a resolution will be put to that meeting to renew it.

## 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 3,590 shares under the Savings Related Scheme were exercised for which a total consideration of £5,000 was received. Options on 30,293 shares under the Executive Scheme and 17,619 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 2005 are as follows:

Period in which options exercisable:	Option Price	Number of ordinary shares	
		2005	2004
<b>Executive Share Option Scheme</b>			
August 2003 to August 2010	145.0p	65,516	79,309
November 2005 to November 2012	167.5p	60,895	77,395
		<b>126,411</b>	<b>156,704</b>
<b>Savings Related Scheme</b>			
August 2000 to February 2005	113.0p	-	2,277
October 2003 to April 2008	118.0p	45,726	47,728
February 2006 to August 2010	147.5p	81,413	98,343
		<b>127,139</b>	<b>148,348</b>
<b>Total Share Options Outstanding</b>		<b>253,550</b>	<b>305,052</b>

## 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 2005 was 62 (2004 - 63).

## Political and Charitable Donations

Charitable donations during the year totalled £545 (2004 - £2,768). In addition, some Group companies have supported a number of voluntary organisations within their local communities.

## International Financial Reporting Standards

The Group will be adopting International Financial Reporting Standards (IFRS) for its financial statements for the year ending 31st March 2006 and for its interim report to 30th September 2005, in line with the timetable set out in European legislation. The trading results of the Group as reported are not expected to be materially different under IFRS from UK GAAP. The principal adjustments to the Group's financial statements are expected to arise from changes to accounting for goodwill, pensions, deferred tax and the presentation of dividends.

The Directors consider that the Group undertakes one principal activity, but the Board will consider presenting additional information from the Group's internal financial reporting systems in the light of the requirements of IAS14, Segmental Reporting.

## Special Business

The following special business will be proposed at the Annual General Meeting to be held on 21st June 2005:

- 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 £321,980, which is the balance of the unissued share capital of the company and represents 19% of the issued capital (Resolution 7).
- Subject to the passing of Resolution 7 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 8).
- 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 9).

Resolutions to implement the above authorities are set out in the notice of the Annual General Meeting on page 32 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

9th May 2005



# corporate governance statement

## Corporate Governance

The Board is responsible for the governance of the Company, governance being the systems and procedures by which the Company is directed and controlled. A prescribed set of rules does not itself determine good governance or stewardship of a company and, in fulfilling their responsibilities, the Directors believe that they govern the Company in the best interests of shareholders, whilst having due regard to the interests of other "stakeholders" in the Group including, in particular, customers and employees.

The Board has taken the opportunity presented by the introduction of the new Combined Code on Corporate Governance to review its approach to corporate governance. Consequently, the Board has made certain changes during the year which it considers appropriate to the needs and nature of the Group. As such, where it does not comply with the Code, it is happy to provide its explanations for not doing so on the basis that it believes such non-compliance is more appropriate to shareholders' long term interests.

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.

### The Board and Board Committees

The Board comprises a non-executive Chairman, two other non-executive directors and three executive directors. The names, roles, committee membership and biographical details of the Directors are set out on page 7.

The Audit, Remuneration and Nomination Committees consist of the three non-executive Directors. Mr R. E. Hough is Chairman of the Audit Committee (from 1st January 2005), Mr E. T. Gartside is Chairman of the Remuneration Committee and Mr D. S. Winterbottom is Chairman of the Nominations Committee. The Audit Committee was chaired by Mr J. R. B. Gould up to his retirement on 31st December 2004. The Board considers that the Audit Committee has the necessary recent and relevant experience to carry out its duties.

The Combined Code suggests that the Chairman of the Board should not be considered as independent for the purposes of the independence tests. In addition, Mr E. T. Gartside has served the Group as Chairman for many years before stepping down to his current role. Mr R. E. Hough is considered to be independent and has been elected by the Board as the Senior Independent Director. The Chairman is also Chairman of Hill & Smith Holdings PLC, CPL Industries Limited and Wightlink Shipping Limited, but the Board does not consider that these other commitments will affect his ability to carry out his role with the Group. The Board does not consider the current structure of the Board to be an issue of concern as the non-executive directors bring valuable insight and experience and conduct themselves in an independent manner. The Board considers the balance of the non-executive and executive directors to be appropriate for the size of the Company at this stage.

The full Board meets on a regular basis with ten meetings being scheduled in each year. During the year the Board met on eleven occasions and all Directors were present for all or part of those meetings. A formal schedule of matters reserved for the Board is in place and has been updated during the year.

All directors have full and timely access to all the relevant information and independent professional advice and unrestricted access to the services of the Company Secretary. The Group maintains insurance cover in respect of legal action against its directors and officers.

The Board believes that the benefit of its collective experience is a valuable asset but accepts that the Directors need to update their professional knowledge from time to time. Accordingly, the Chairman will be holding meetings with each of the Directors individually to evaluate their role and effectiveness in contributing to meetings and communications. Guidelines for meeting their training needs will be drawn up following these meetings.

### Audit Committee

The Committee met on three occasions during the year and considered the following matters: reviews of external audit activities; monitoring of compliance with statutory requirements for financial reporting; reviews of management report on risks and related controls; and reviews of the half-year and annual financial statements before these were presented to the Board for approval. The Company's Chief Executive, Finance Director and its auditors are normally in attendance at the Committee meetings at the invitation of the Committee.

The Committee has previously concluded that no specific internal audit function is required given the size and composition of the Group's business. However, in the light of the problems in the Active Care Division, the Directors are re-addressing the matter.

The Committee has adopted a procedure which sets out the basis on which the Committee will consider and make recommendations as appropriate concerning the appointment, re-appointment or removal of the external auditor.

The Committee will annually assess the qualification, expertise, independence and objectivity of the auditor and have set down the timetable and criteria for making those assessments. Policies concerning the employment of former employees of the external auditor and the use of the external auditor to perform non-audit services have been adopted. In regard to the latter, the Committee believes that there are certain non-audit services where it is cost effective for the external auditor to be used, such as due diligence and tax advisory services. The Committee has discussed these matters with the external auditors and received from them written disclosures as to their independence as required by the Auditing Practices Board.

The Company has in place a formal procedure by which staff can, in confidence, raise concerns about possible improprieties in financial and other matters. These are commonly referred to as 'whistle blowing' procedures. The Committee reviewed and approved this procedure at the time it was implemented and is satisfied that it incorporates arrangements for the proportionate and independent investigation of matters raised and for appropriate follow-up action.

### **Internal Controls and Risk Assessments**

The Board accepts overall responsibility for the Group's system of internal control which is designed to manage rather than eliminate risk and can provide only reasonable assurance against material misstatement or loss. The Board has delegated responsibility for the review of the effectiveness of the Group's systems of internal control to the Audit Committee.

The Combined Code has a requirement that the Directors review the effectiveness of the Group's system of internal controls. This includes internal financial controls and controls over operational, compliance and risk management. The Board confirms that there is an ongoing process for reviewing the effectiveness of the Group's system of internal controls and for identifying, evaluating and managing the significant risks faced by the Group.

Again, in the light of the problems in the Active Care division, the Chairman and the newly appointed Finance Director are working with the Audit Committee to re-establish the effectiveness of appropriate internal control mechanisms and the evaluation procedure for risk analysis.

### **Remuneration Committee**

Details of the Committee, its terms of reference and its activities, are set out in the Directors' Remuneration Report on page 12. In order to avoid any compromise in the activities of the Committee, Mr E. T. Gartside, as Chairman of the Committee, takes responsibility for minuting meetings.

### **Nominations Committee**

As the Board is small, previously the appointment of new directors was a matter reserved for the whole Board although the Remuneration Committee made recommendations to the Board instead of a separate Nominations Committee. However, a new Nominations Committee has now been created, composed of the Chairman and the non-executive directors.

### **Shareholder Communications**

The Board recognises the importance of good communications with shareholders. Shareholders are encouraged to attend the Company's Annual General Meeting and engage in dialogue with members of the Board. The Chairmen of the Audit and Remuneration Committees will be in attendance at the forthcoming Annual General Meeting which will be convened on at least 20 working days' notice.

### **Going Concern**

After making enquiries, the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

# directors' remuneration report

## Remuneration Committee

The members of the Remuneration Committee during the year were E. T. Gartside (Chairman), R. E. Hough, J. R. B. Gould (until 31st December 2004) and D. S. Winterbottom (from 1st January 2005).

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

The Committee met four times during the year.

## 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.

The Committee has not sought the advice of outside consultants in determining the remuneration packages of individual directors.

## Directors' Remuneration

Details of the remuneration of all Directors who have held office in the year are shown in Note 7 to the accounts.

Executive Directors' emoluments 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 insurance.

The Chairman and other Non-Executive Directors receive a fee based on the time commitment and duties involved. This is determined by the full Board.

## 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% and 50% of basic salary dependent on the level of responsibility.

Mr E. Robinson was the only Executive Director to be paid a bonus during the year based on the performance of the unit of which he is Managing Director. This is disclosed in Note 7 to the accounts.

No bonuses were paid to other Executive Directors as targets were not met.

## Executive Share Options

The Company operates an approved executive share option scheme, under which the Executive Directors benefit along with other senior executives. Details of the options held by Executive Directors are shown in Note 7 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, who had a service agreement with a one year notice period, resigned as a Director on 5th May 2005. He received a compensation payment of £42,245 in settlement of all claims under this service agreement.

The Non-Executive Directors have letters of appointment stating their role and expected time commitment and specify a three month notice period.

## Pensions

Mr G. J. Collyer is a member of the Company's defined contribution pension scheme, as was J. Edwards up to the termination of his employment. The Company contributes 4.5% of basic salary into this scheme.

Mr E. Robinson is a member of the Company's final salary (or defined benefit) pension scheme, to which the Company contributes 13.8% of salary.

Details of the Executive Directors' pension entitlements are shown in Note 7 to the accounts.

## Performance of the Company

The graph opposite charts the investment performance of the Company since 1st April 2000 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

9th May 2005

# statement of directors' responsibilities

## Directors' Responsibilities

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.

# 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 2005, which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Historical Cost Profits and Losses, the Statement of Accounting Policies and the related notes. 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 nine provisions of the 2003 FRC 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.

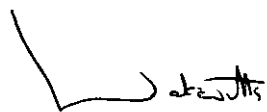
### Opinion

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 2005 and of the Group's loss 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.

### Waterworths

Registered Auditors  
Chartered Accountants  
Blackburn  
9th May 2005





# statement of 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 throughout the financial year and the preceding financial year 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.

## **Turnover**

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

## **Investments**

Fixed asset investments are shown at cost less provision for impairment.

## **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.

**Impairment:** Goodwill and brands are reviewed for impairment if events or changes in circumstances indicate that their carrying values may not be recoverable. In the event of impairment, the recoverable amount is the higher of the value in use and net realisable value.

## **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%.

## **Stocks**

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

## **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. 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 deferred income 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.

## **Bid Costs**

The Group accounts for bid costs in accordance with UITF Abstract 34 (pre-contract costs), which requires that all bid costs are expensed up to the point where award of the contract is virtually certain. Bid costs incurred after this point will be included in current assets to the extent they are considered recoverable.

# consolidated profit and loss account

for the year ended 31st March 2005

	Notes	2005 Total £000's	2004 Total £000's
<b>Turnover</b>	1	44,735	45,121
Cost of sales		(31,585)	(31,964)
Gross profit		13,150	13,157
Other operating expenses (net)	2	(16,746)	(13,019)
<b>Operating (loss)/profit before amortisation and impairment of intangible assets and exceptional operating costs</b>		(673)	428
Amortisation of intangible assets		(290)	(290)
Impairment of goodwill		(1,351)	-
Exceptional operating costs	3	(927)	-
Exceptional pre-contract bid costs	4	(355)	-
<b>Operating (loss)/profit – continuing operations</b>		(3,596)	138
Losses and provisions on sale and cessation of operations	5	(1,803)	-
Profit on sale of properties	6	-	367
(Loss)/profit on ordinary activities before interest		(5,399)	505
Interest payable	9	(184)	(195)
(Loss)/profit on ordinary activities before taxation	10	(5,583)	310
Tax on (loss)/profit on ordinary activities	11	317	(107)
(Loss)/profit after taxation		(5,266)	203
Dividends	13	-	(359)
Loss for the year transferred from reserves	25	(5,266)	(156)

## (Loss)/earnings per share before amortisation and impairment of intangible assets and exceptional costs

		2005	2004
Basic	14	(10.31p)	2.66p
Diluted	14	(10.31p)	2.63p
<b>(Loss)/earnings per share</b>			
Basic	14	(78.47p)	3.03p
Diluted	14	(78.47p)	3.01p

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

There are no gains or losses in either period other than the (loss)/profit for each financial year.

Movements in reserves are set out in Note 25 on page 27.

The accounts should be read in conjunction with the notes on pages 20 to 30.

# balance sheets

31st March 2005

	Notes	Group 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
<b>Fixed Assets</b>					
Intangible assets	15	2,794	4,803	890	1,327
Tangible assets	16	3,958	4,530	884	994
Investments in subsidiary undertakings	17	-	-	5,922	5,934
		<b>6,752</b>	<b>9,333</b>	<b>7,696</b>	<b>8,255</b>
<b>Current Assets</b>					
Stocks	18	6,117	6,316	-	-
Debtors	19	7,153	7,293	6,749	5,614
Cash and bank balances		38	74	1	1
		<b>13,308</b>	<b>13,683</b>	<b>6,750</b>	<b>5,615</b>
<b>Creditors-amounts falling due within one year</b>	20	(11,856)	(9,876)	(6,239)	(4,943)
<b>Net current assets</b>		<b>1,452</b>	<b>3,807</b>	<b>511</b>	<b>672</b>
<b>Total assets less current liabilities</b>		<b>8,204</b>	<b>13,140</b>	<b>8,207</b>	<b>8,927</b>
<b>Creditors-amounts falling due after more than one year</b>	21	(446)	(687)	(58)	(324)
<b>Provision for liabilities and charges</b>	22	(858)	(284)	(19)	(65)
<b>Deferred creditor</b>	23	(114)	(122)	(36)	(38)
<b>Net assets</b>		<b>6,786</b>	<b>12,047</b>	<b>8,094</b>	<b>8,500</b>
<b>Capital and Reserves</b>					
Called-up equity share capital	24	1,678	1,677	1,678	1,677
Share premium account	25	1,298	1,294	1,298	1,294
Capital redemption reserve		62	62	62	62
Revaluation reserve	25	72	74	-	-
Profit and loss account - distributable	25	3,676	8,940	5,056	5,467
<b>Equity shareholders' funds</b>	31	<b>6,786</b>	<b>12,047</b>	<b>8,094</b>	<b>8,500</b>

Approved by the Board

**D. S. Winterbottom**

Chairman

**M. D. Fazal**

Finance Director

9th May 2005

The accounts should be read in conjunction with the notes on pages 20 to 30.

# consolidated cash flow statement

for the year ended 31st March 2005

	2005 £000's	2004 £000's
<b>Net cash (outflow)/inflow from operating activities (Note 26)</b>	<b>(850)</b>	<b>576</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	1	4
Interest paid	(142)	(209)
Interest element of finance lease payments	(39)	(45)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(180)</b>	<b>(250)</b>
<b>Taxation</b>		
Taxation paid	(58)	(86)
<b>Capital Expenditure</b>		
Payments to acquire tangible fixed assets	(326)	(649)
Payments to acquire intangible fixed assets	(43)	(200)
Proceeds from sale of tangible fixed assets	28	703
Proceeds from sale of assets held for resale	-	1,176
Government grant received	-	21
<b>Net cash (outflow)/inflow for capital expenditure</b>	<b>(341)</b>	<b>1,051</b>
<b>Acquisitions and Disposals</b>		
Purchase of minority interests in subsidiary undertakings	(100)	(100)
<b>Equity Dividends Paid</b>	<b>(259)</b>	<b>(357)</b>
<b>Net cash (outflow)/ inflow before management of liquid resources and financing</b>	<b>(1,788)</b>	<b>834</b>
<b>Management of Liquid Resources</b>		
Cash withdrawn from short term deposit	-	450
<b>Financing</b>		
Issue of ordinary share capital	5	26
Capital element of finance lease payments	(282)	(268)
<b>Net cash outflow from financing</b>	<b>(277)</b>	<b>(242)</b>
<b>(Decrease)/increase in cash</b>	<b>(2,065)</b>	<b>1,042</b>

Net cash outflow from operating activities includes an outflow of £466,000 in respect of operating exceptional costs and £130,000 in respect of non-operating exceptional costs.

Proceeds from the sale of fixed assets and assets held for resale for the year ended 31st March 2004 include £1,843,000 in respect of non-operating exceptional profits.

	2005 £000's	2004 £000's
<b>Reconciliation of cash flow to movement in net debt:</b>		
(Decrease)/increase in cash	(2,065)	1,042
Cash outflow for decrease in debt and lease financing	282	268
Cash from decrease in liquid resources	-	(450)
(Increase)/decrease in net debt resulting from cash flows	(1,783)	860
Inception of finance lease contracts	(325)	(64)
(Increase)/decrease in net debt	(2,108)	796
Net debt at 31st March 2004	(1,546)	(2,342)
Net debt at 31st March 2005 (Note 27)	(3,654)	(1,546)

The accounts should be read in conjunction with the notes on pages 20 to 30.

# consolidated statement of historical cost profits and losses

for the year ended 31st March 2005

	2005 £000's	2004 £000's
Reported (loss)/profit on ordinary activities before taxation	(5,583)	310
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	2	1
Realisation of gains arising from revaluation of properties in previous years	-	727
Historical cost (loss)/profit on ordinary activities before taxation	(5,581)	1,038
Historical cost transfer (from)/to reserves	(5,264)	572

The accounts should be read in conjunction with the notes on pages 20 to 30.

# notes to the accounts

## 1. 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 £230,000 (2004 - £274,000).

## 2. Other operating expenses (net)

	Notes	2005 £000's	2004 £000's
Other operating expenses (net) comprise:			
Selling and distribution costs		3,524	3,294
Administrative expenses - amortisation of intangible assets		290	290
- impairment of goodwill		1,351	-
- exceptional operating costs	3	927	-
- exceptional pre-contract bid costs	4	355	-
- other administrative costs		10,317	9,457
Other operating income		(18)	(22)
		16,746	13,019

Amortisation of intangible assets includes goodwill amortisation of £221,000 (2004 - £221,000).

## 3. Exceptional operating costs

	2005 £000's	2004 £000's
Property costs	285	-
Redundancy costs	111	-
Asset provisions	486	-
Other costs	45	-
Restructuring costs	927	-

As part of the sale and cessation of the retail business of Shiloh Mobility Ltd., the Group undertook a restructuring of the field sales operations in order to align the cost base with the revenue stream in order to maximise the profitability of the business.

A tax credit of £14,000 arises in respect of these exceptional items.

## 4. Exceptional pre-contract bid costs

	2005 £000's	2004 £000's
Exceptional pre-contract bid costs	355	-

Exceptional pre-contract bid costs represent those external costs incurred in tendering for the NHS programme for the outsourcing of sterilisation services.

A tax credit of £106,000 arises in respect of these exceptional costs.

## 5. Losses and provisions on sale and cessation of operations

	2005 £000's	2004 £000's
Property costs	521	-
Redundancy costs	222	-
Asset provisions	895	-
Other costs	165	-
Losses and provisions on sale and cessation of operations	1,803	-

This cost represents the losses and provisions on cessation and sale of the retail operations of Shiloh Mobility Ltd. to Bright Futures Group Plc as announced on 31st March 2005.

A tax credit of £32,000 arises in respect of these exceptional costs.

## 6. Profit on sale of properties

	2005 £000's	2004 £000's
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)
	-	367

A tax charge of £52,000 arose in 2004 in respect of these disposals.

## 7. Directors' emoluments

	Remuneration	Performance	Benefits and	Total	Total
	2005	Related Pay	allowances	Remuneration	Remuneration
	£000's	2005	2005	2005	2004
	£000's	£000's	£000's	£000's	£000's
G. J. Collyer	150.0	-	19.6	169.6	150.4
J. Edwards	89.8	-	6.4	96.2	91.4
E. T. Gartside	27.5	-	5.7	33.2	36.3
D. George	4.4	-	-	4.4	20.0
J. R. B. Gould	11.2	-	-	11.2	14.8
R. E. Hough	15.0	-	-	15.0	13.7
E. Robinson	58.4	6.0	7.4	71.8	63.3
D. H. Shaw	-	-	-	-	3.0
D. S. Winterbottom	13.3	-	-	13.3	-
	369.6	6.0	39.1	414.7	392.9

In addition to the above, Mr J. Edwards received a compensation payment of £42,245 in settlement of all claims under his service agreement and Mr J. R. B. Gould received £4,000 payment for loss of office.

In addition to the above, during the year ended 31st March 2004, 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.

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

### Defined benefit scheme

	Years
Age at 31st March 2005	48
Pensionable years of service	12
	£000's
Accrued pension at 1st April 2004	10.4
Increase in accrued pension excluding inflation	0.9
Accrued pension at 31st March 2005	11.3
Transfer value of accrued pension at 1st April 2004	85.7
Director's contributions	3.0
Increase in transfer value over year less Director's contributions	6.6
Transfer value of accrued pension at 31st March 2005	95.3

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 benefits derived therefrom are the same for Directors as for other Scheme members (see Note 30).

### Defined contribution scheme

The Company contributed £4,039 into a money purchase scheme for Mr J. Edwards (2004 - £6,260) and £6,750 into a money purchase scheme for Mr G. J. Collyer (2004 - £6,750).

### Share options

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

		Exercise	At	At
		Price (p)	31st March	31st March
			2005	2004
E. T. Gartside	Savings related options	118.0	2,860	2,860
G. J. Collyer	Executive share options	167.5	17,910	17,910
	Savings related options	147.5	6,874	6,874
			24,784	24,784
J. Edwards	Executive share options	145.0	20,689	20,689
	Savings related options	147.5	4,027	4,027
			24,716	24,716
E. Robinson	Executive share options	145.0	17,241	17,241
	"	167.5	2,985	2,985
	Savings related options	118.0	2,860	2,860
	"	147.5	5,532	5,532
			28,618	28,618

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 2005 was 93.5p and the range during the year was 93.5p to 160.5p.

**8. Employees**

	2005 Number	2004 Number
The average number employed by the Group, including Directors, was:	507	532

The costs incurred in respect of these employees were:

	2005 £000's	2004 £000's
Wages and salaries	8,282	8,730
Social security costs	761	857
Pension and other costs	242	252
	9,285	9,839

**9. Interest payable**

	2005 £000's	2004 £000's
Bank interest	144	150
Finance lease and hire purchase interest	40	45
	184	195

**10. (Loss)/profit on ordinary activities before taxation**

	2005 £000's	2004 £000's
(Loss)/profit before taxation is arrived at after charging/(crediting):		
Amortisation of intangible fixed assets	290	290
Impairment of goodwill	1,351	-
Depreciation of owned assets	793	767
Depreciation of assets held under finance leases and hire purchase contracts	189	151
Operating lease rentals - land and buildings	765	780
- other	615	467
Loss on sale of fixed assets	6	6
Auditors' remuneration (Company: £4,000; 2004 - £4,000)	75	72
Grant release	(8)	(10)

Non-audit fees paid to Waterworths comprised tax compliance and advisory fees and amounted to £33,000 (2004 - £59,000) of which £33,000 (2004 - £59,000) is charged in arriving at the operating result.

**11. Tax on (loss)/profit on ordinary activities**

	2005 £000's	2004 £000's
Taxation is based on the loss (2004 - profit) for the year and comprises:		
Current tax:		
UK corporation tax	(30)	148
Adjustment in respect of previous years	(86)	(18)
Total current tax	(116)	130
Deferred tax:		
Deferred tax in respect of the current year	(279)	(18)
Adjustment in respect of previous years	78	(5)
Total deferred tax	(201)	(23)
Total tax (credit)/charge	(317)	107

Current tax reconciliation:

	2005 £000's	2004 £000's
(Loss)/profit before taxation	(5,583)	310
Notional current tax based on the UK standard rate of 30%	(1,675)	93
Expenses not deductible for tax purposes	54	24
Intangible fixed assets amortisation and impairment	492	87
Capital allowances for the year less than/(in excess of) depreciation	343	(10)
Other short term timing differences	127	3
Utilisation of tax losses	-	(96)
Tax losses arising and carried forward for future relief	624	-
Chargeable gains in excess of accounting profit	-	64
Small companies relief	-	(17)
Tax relief at less than 30%	5	-
Adjustment in respect of previous years	(86)	(18)
Current tax (credit)/charge for the year	(116)	130

The Group has tax losses of £2,081,000 (2004 - £nil) carried forward and available for relief against future trading profits.



**12. (Loss)/profit attributable to the parent company**

	<b>2005</b>	<b>2004</b>
	<b>£000's</b>	<b>£000's</b>
Net (loss)/profit before dividend received	(411)	134
Dividend received from subsidiary undertaking	-	2,170
(Loss)/profit for the financial year dealt with in the accounts of the parent company	(411)	2,304

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.

**13. Dividends**

	<b>2005</b>	<b>2004</b>
	<b>£000's</b>	<b>£000's</b>
Interim dividend paid of nil p per share (2004 - 1.5p)	-	100
Proposed final dividend of nil p per share (2004 - 3.85p)	-	259
	-	359

**14. (Loss)/earnings per share**

The basic (loss)/earnings per share figures have been calculated by reference to the weighted average of 6,711,063 shares in issue during the year (2004 - 6,694,575) and, in respect of the full (loss)/earnings per share figures, the Group loss for the financial year of £5,266,000 (2004 - £203,000 profit). A reconciliation of this figure to the alternative figure in the profit and loss account is as follows:

	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>£000's</b>	<b>Pence per share</b>	<b>£000's</b>	<b>Pence per share</b>
Full (loss)/earnings	(5,266)	(78.47)	203	3.03
Exceptional operating costs	927	13.82	-	-
Pre-contract bid costs	355	5.28	-	-
Losses and provisions on sale and cessation of operations	1,803	26.87	-	-
Profit on sale of fixed assets	-	-	(367)	(5.49)
Amortisation of goodwill and intangible assets	290	4.32	290	4.34
Impairment of goodwill	1,351	20.13	-	-
Less tax in respect of above	(152)	(2.26)	52	0.78
(Loss)/earnings before amortisation and impairment of intangible assets and exceptional costs	(692)	(10.31)	178	2.66

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:

	<b>2005</b>	<b>2004</b>
Weighted average per basic calculation	6,711,063	6,694,575
Adjustment to reflect dilutive shares under option	-	54,157
	6,711,063	6,748,732

As the Group recorded a loss per share, the share options are anti-dilutive.

**15. Intangible assets**

	<b>Group Goodwill</b>	<b>Group Brands</b>	<b>Group Total</b>	<b>Company Brands</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Cost 31st March 2004	4,072	1,409	5,481	1,409
Reduction in contingent consideration	-	(368)	(368)	(368)
Cost 31st March 2005	4,072	1,041	5,113	1,041
Amortisation 31st March 2004	596	82	678	82
Charge in the year	221	69	290	69
Impairment	1,351	-	1,351	-
Amortisation 31st March 2005	2,168	151	2,319	151
Net book value 31st March 2005	1,904	890	2,794	890
Net book value 31st March 2004	3,476	1,327	4,803	1,327

The reduction in brands relates to the expected non-payment of contingent consideration in respect of the Clinisan brand.

Following the sale and cessation of mobility retail operations and the associated reorganisation of the business, the Directors have written down the value of goodwill with reference to branch locations and the underlying business units originally acquired.

# 16. Tangible assets

Group	Freehold Land and Buildings £000's	Leasehold Land and Buildings £000's	Plant and Machinery £000's	Total £000's
Cost or valuation 31st March 2004	857	497	8,288	9,642
Additions	-	1	613	614
Disposals	-	(30)	(542)	(572)
Cost or valuation 31st March 2005	857	468	8,359	9,684
Depreciation 31st March 2004	147	157	4,808	5,112
Charge in the period	14	34	934	982
Disposals	-	(14)	(354)	(368)
Depreciation 31st March 2005	161	177	5,388	5,726
Net Book Value 31st March 2005	696	291	2,971	3,958
Net Book Value 31st March 2004	710	340	3,480	4,530

Company	Freehold Land and Buildings £000's	Leasehold Land and Buildings £000's	Plant and Machinery £000's	Total £000's
Cost or valuation 31st March 2004	857	54	384	1,295
Additions	-	1	7	8
Cost or valuation 31st March 2005	857	55	391	1,303
Depreciation 31st March 2004	147	5	149	301
Charge in the period	14	11	93	118
Depreciation 31st March 2005	161	16	242	419
Net Book Value 31st March 2005	696	39	149	884
Net Book Value 31st March 2004	710	49	235	994

Land and buildings at cost or valuation are stated:	Group 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
Land-not depreciated: at open market value in 1995	155	155	155	155
Buildings: at open market value in 1995	668	668	668	668
at cost	502	531	89	88
	1,325	1,354	912	911

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 valuation 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 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
Cost	1,271	1,300	913	911
Accumulated depreciation	(356)	(324)	(177)	(152)
Historical cost value	915	976	736	759
	Group 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
Net book value of assets held under finance leases	1,018	882	14	18

# 17. Investments in subsidiary undertakings

	Shares £000's
Cost 31st March 2004	5,934
Strike off of dormant subsidiary undertaking	(12)
Cost 31st March 2005	5,922

# 17. Investments in subsidiary undertakings (contd.)

Shiloh PLC owned the whole of the issued share capital of the following principal subsidiary undertakings, all of which were incorporated and 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

18. Stocks	Group 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
Raw materials	1,376	1,302	-	-
Work in progress	79	90	-	-
Finished goods	4,662	4,924	-	-
	6,117	6,316	-	-

19. Debtors	Group 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
Trade debtors	6,580	6,728	11	16
Amounts due from subsidiary undertakings	-	-	6,604	5,333
Prepayments	453	477	79	156
Advance Corporation Tax recoverable	-	-	-	40
Corporation Tax recoverable	30	-	11	-
Other debtors	90	88	44	69
	7,153	7,293	6,749	5,614

20. Creditors - amounts falling due within one year	Group 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
Trade creditors	6,380	6,456	75	152
Contingent consideration	45	300	45	300
Deferred consideration	100	100	100	100
Bank overdraft	3,015	986	3,064	2,345
Amounts due to subsidiary undertakings	-	-	2,593	1,588
Other creditors	198	84	16	14
Accruals	1,130	630	289	77
Finance lease and hire purchase obligations	276	247	11	11
Dividend	-	259	-	259
Corporation Tax payable	-	124	-	57
Other taxation and social security	712	690	46	40
	11,856	9,876	6,239	4,943

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 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
Contingent consideration	45	200	45	200
Deferred consideration	-	100	-	100
Finance lease and hire purchase obligations	401	387	13	24
	446	687	58	324

	Group 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
<b>Finance lease and hire purchase obligations are repayable as follows:</b>				
Within one year	276	247	11	11
Between one and two years	168	210	11	11
Between two and five years	233	177	2	13
	677	634	24	35

## 22. Provision for liabilities and charges

The movement during the year was as follows:

Group	Deferred Taxation 2005 £000's	Other Provisions 2005 £000's	Total 2005 £000's	Deferred Taxation 2004 £000's
At 31st March 2004	284	-	284	347
(Credited)/charged to profit and loss account	(201)	795	594	(23)
Recoverable Advance Corporation Tax	(20)	-	(20)	(40)
At 31st March 2005	63	795	858	284

Other provisions comprise provisions for onerous leases and associated costs in respect of the properties being vacated as a result of the sale and cessation of the retail operations of Shiloh Mobility Ltd. The provision covers the expected maximum net loss to be suffered over the period until exit.

Company	Deferred Taxation 2005 £000's	Deferred Taxation 2004 £000's
At 31st March 2004	65	-
(Credited)/charged to profit and loss account	(46)	2
Group transfer	-	63
At 31st March 2005	19	65

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

Group	Provided 2005 £000's	Provided 2004 £000's	Unprovided 2005 £000's	Unprovided 2004 £000's
Capital allowances in excess of depreciation	70	324	(85)	(11)
Other short term timing differences	(24)	-	(107)	-
Held over gains	77	-	-	-
Losses	-	-	(624)	-
	123	324	(816)	(11)
Advance Corporation Tax	(60)	(40)	-	-
	63	284	(816)	(11)

No provision has been made for the potential liability of £205,000, which might arise in the event of the disposal of the revalued land and buildings at their current carrying value, after taking account of previous chargeable gains arising and rolled over on to the property. Such tax would only become payable if the property was sold without it being possible to claim rollover relief.

Company	Provided 2005 £000's	Provided 2004 £000's	Unprovided 2005 £000's	Unprovided 2004 £000's
Capital allowances in excess of depreciation	34	65	-	-
Other short term timing differences	(15)	-	-	-
	19	65	-	-

## 23. Deferred creditor

Grants received	Group 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
At 31st March 2004	122	111	38	-
Grant received	-	21	-	-
Group transfer in	-	-	-	38
Released to profit and loss account	(8)	(10)	(2)	-
At 31st March 2005	114	122	36	38

**24. Share capital**

	2005 £000's	2004 £000's
Authorised:		
8,000,000 Ordinary shares of 25p each	2,000	2,000

	2005 Number	2004 Number	2005 £000's	2004 £000's
Allotted, called up and fully paid:				
At 31st March 2004	6,708,491	6,686,524	1,677	1,672
Allotted during the year	3,590	21,967	1	5
At 31st March 2005	6,712,081	6,708,491	1,678	1,677

At 31st March 2005 there were share options on 253,550 (2004 - 305,052) ordinary shares which are exercisable between August 2003 and November 2012 at prices between 118p and 167.5p.

**25. Reserves**

Group	Share Premium Account £000's	Revaluation Reserve £000's	Profit and Loss Account £000's
At 31st March 2004	1,294	74	8,940
Added on allotment of shares	4	-	-
Released on depreciation	-	(2)	2
Loss for the year transferred from reserves	-	-	(5,266)
At 31st March 2005	1,298	72	3,676
<b>Company</b>			
At 31st March 2004	1,294	-	5,467
Added on allotment of shares	4	-	-
Loss for the year transferred from reserves	-	-	(411)
At 31st March 2005	1,298	-	5,056

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 (loss)/profit to operating cash flows**

	2005 £000's	2004 £000's
Operating (loss)/ profit	(3,596)	138
Depreciation	982	918
Loss on sale of tangible fixed assets	6	6
Government grant released to profit and loss account	(8)	(10)
Amortisation and impairment of intangible fixed assets	1,641	290
Increase in stocks	(526)	(562)
Decrease in debtors	170	522
Increase/(decrease) in creditors	611	(726)
Cash effect of losses and provisions on sale and cessation of operations	(130)	-
Net cash (outflow)/inflow from operating activities	(850)	576

**27. Analysis of changes in net debt**

	At 31st March 2004 £000's	Cash Flow £000's	Other Non Cash Changes	At 31st March 2005 £000's
Cash at bank and in hand	74	(36)	-	38
Bank overdraft	(986)	(2,029)	-	(3,015)
	(912)	(2,065)	-	(2,977)
Hire purchase obligations	(634)	282	(325)	(677)
	(1,546)	(1,783)	(325)	(3,654)

**28. Contingent liabilities**

The Company has guaranteed bank loans and overdrafts of certain subsidiary undertakings which at 31st March 2005 were £315,000 (2004 - £nil).

## 29. Financial commitments

	Group 2005 £000's	Group 2004 £000's	Company 2005 £000's	Company 2004 £000's
<b>Capital commitments at the end of the year were:</b>				
Capital commitments - contracted but not provided for	-	328	-	-

At 31st March 2005 the Group had annual commitments under operating leases as follows:

	2005 £000's	2004 £000's
Land and buildings:		
Expiring within one year	20	183
Expiring between two and five years	373	170
Expiring in over five years	315	397
	708	750
Other operating leases:		
Expiring within one year	82	113
Expiring between two and five years	372	333
	454	446

## 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 2004. 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 6.5% per annum and that salary increases would average 3.75% per annum. The most recent actuarial valuation showed that the market value of the scheme's assets was £7.1 million and that the actuarial value of those assets represented 95% 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 102.5% of the value of the benefits as at 20th October 2004.

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 is also payable should there be a surviving spouse.

The pension cost of this scheme to the Group was £117,000 (2004 - £130,000).

The Group also paid £111,000 (2004 - £113,000) 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 2005.

The major assumptions used by the actuary were:

	2005	2004	2003
Rate of increase in salaries	3.2%	3.2%	3.2%
Rate of increase in pensions in payment			
pre October 1999	5.0%	5.0%	5.0%
post October 1999	2.7%	2.7%	2.7%
Discount rate	5.0%	5.0%	5.0%
Inflation	2.7%	2.7%	2.7%

### 30. Pensions (contd.)

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

	2005 Rate of Return	2005 £000's	2004 Rate of Return	2004 £000's	2003 Rate of Return	2003 £000's
Equities	7.0%	5,426	7.0%	5,270	7.0%	3,903
Bonds and fixed interest	5.5%	2,008	5.5%	1,710	5.5%	1,839
Cash	5.0%	800	5.0%	754	5.0%	807
Market value of assets		8,234		7,734		6,549
Present value of scheme liabilities		(10,970)		(10,549)		(10,323)
Deficit		(2,736)		(2,815)		(3,774)
Deferred tax asset		-		-		-
Net deficit in scheme at 31st March 2005		(2,736)		(2,815)		(3,774)
Movement in deficit during year:		£000's		£000's		
Deficit in scheme at 31st March 2004		(2,815)		(3,774)		
Current service cost		(153)		(85)		
Other finance costs		(25)		(100)		
Contributions paid		131		122		
Actuarial gain		126		1,022		
Deficit in scheme at 31st March 2005		(2,736)		(2,815)		
Deferred tax asset		-		-		
Net deficit in scheme at 31st March 2005		(2,736)		(2,815)		

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

Analysis of other pension costs which would have been charged in arriving at operating profit

	2005 £000's	2004 £000's
Current service cost	153	85
Analysis of other finance costs		
Expected return on pension scheme assets	500	412
Interest on pension scheme liabilities	(525)	(512)
Net return	(25)	(100)

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

	2005 £000's	2005 %	2004 £000's	2004 %	2003 £000's	2003 %
Actual return less expected return on scheme assets	51	0.6*	850	11.0*	(2,111)	(32.2)*
Experience gains and losses arising on scheme liabilities	75	(0.7)†	172	(1.6)†	1,048	(10.2)†
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	126	(1.1)†	1,022	(9.7)†	(2,517)	24.4†

\*As a percentage of scheme assets

†As a percentage of scheme liabilities

If FRS 17 had been applied, the balance sheet would have been restated as follows:

	Group 2005 £000's	Group 2004 £000's
<b>Net Assets</b>		
Net assets excluding net pension liability	6,786	12,047
Net pension liability	(2,736)	(2,815)
Net assets including pension liability	4,050	9,232
<b>Reserves</b>		
Profit and loss account excluding net pension liability	3,676	8,940
Net pension liability	(2,736)	(2,815)
Profit and loss account including pension liability	940	6,125

**31. Reconciliation of movement in equity shareholders' funds**

	2005 £000's	2004 £000's
(Loss)/profit attributable to ordinary shareholders	(5,266)	203
Dividends	-	(359)
	(5,266)	(156)
New share capital issued	5	26
Net depletion in shareholders' funds	(5,261)	(130)
Opening shareholders' funds	12,047	12,177
Closing shareholders' funds	6,786	12,047

**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.

The Group's financial instruments, other than derivatives, comprise borrowings, cash 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 2005 the Group had net debt of £3,654,000 (2004 - £1,546,000) and, in addition, had overdraft facilities of £3,250,000 (2004 - £3,000,000), of which £235,000 (2004 - £2,014,000) 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	Non-interest Bearing 2005 £000's	Floating Rate 2005 £000's	Fixed Rate 2005 £000's	Total 2005 £000's	Non-interest Bearing 2004 £000's	Floating Rate 2004 £000's	Fixed Rate 2004 £000's	Total 2004 £000's
Sterling	21	(3,073)	(549)	(3,601)	57	(1,504)	(356)	(1,803)
Euros	-	(62)	-	(62)	-	330	-	330
US Dollars	-	9	-	9	-	(73)	-	(73)
Net debt	21	(3,126)	(549)	(3,654)	57	(1,247)	(356)	(1,546)

In addition, there were short term creditors denominated in foreign currency, principally in Euros and US Dollars, of £367,000 (2004 - £1,264,000) and debtors similarly denominated of £3,000 (2004 - £16,000).

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

**Maturity of net debt**

	Assets 2005 £000's	Liabilities 2005 £000's	Total 2005 £000's	Assets 2004 £000's	Liabilities 2004 £000's	Total 2004 £000's
In one year or less, or on demand	38	(3,291)	(3,253)	74	(1,233)	(1,159)
In more than one year but not more than two years	-	(168)	(168)	-	(210)	(210)
In more than two years but not more than five years	-	(233)	(233)	-	(177)	(177)
Net debt	38	(3,692)	(3,654)	74	(1,620)	(1,546)

**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

	2005 £000's	2004 £000's	2003 £000's	2002 £000's	2001 £000's
Turnover	44,735	45,121	45,441	39,927	28,906
Operating (loss)/profit before amortisation and impairment of intangible assets and exceptional items	(673)	428	1,230	1,349	1,055
Exceptional items (including amortisation and impairment of intangible assets)	(4,726)	77	(618)	(472)	(31)
(Loss)/profit on ordinary activities before interest	(5,399)	505	612	877	1,024
Net interest (payable)/receivable	(184)	(195)	(122)	(60)	109
(Loss)/profit on ordinary activities before tax	(5,583)	310	490	817	1,133
Tax	317	(107)	(182)	(227)	(251)
(Loss)/profit after tax	(5,266)	203	308	590	882
Minority interests	-	-	-	(71)	14
Attributable to ordinary shareholders	(5,266)	203	308	519	896
Dividend	-	(359)	(358)	(342)	(316)
(Loss)/profit transferred (from)/to reserves	(5,266)	(156)	(50)	177	580

Earnings before interest, tax, depreciation and amortisation of intangible assets and goodwill impairment (EBITDA)

Before exceptional items	309	1,346	2,108	2,064	1,636
After exceptional items	(2,776)	1,713	1,713	1,726	1,636

Ordinary capital at year end	1,678	1,677	1,672	1,652	1,631
(Loss)/earnings per ordinary share of 25p					
Basic	(78.47p)	3.03p	4.62p	7.92p	14.15p
Before amortisation of intangible assets, goodwill impairment and exceptional items	(10.31p)	2.66p	12.13p	15.13p	14.64p
Dividends per 25p share - ordinary	-	5.35p	5.35p	5.20p	4.85p

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 second Annual General Meeting of the Company will be held at Royton Cricket, Bowling and Tennis Club, The Paddock, Bransdale Avenue, Royton, OL2 5TX on Tuesday 21st June 2005 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 2005.
2. To approve the Directors' Remuneration Report for the year ended 31st March 2005.
3. To elect Mr D. S. Winterbottom as a Director.
4. To elect Mr M. D. Fazal as a Director.
5. To re-elect Mr R. E. Hough as a Director.
6. 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 7 will be proposed as an Ordinary Resolution and Resolutions numbers 8 and 9 as Special Resolutions:

7. 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 £321,980, 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 7 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 7 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.
8. That, subject to the passing of resolution 7 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 7 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.
9. 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 671,208, 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 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

20th May 2005

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 notarially 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 19th June 2005 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 19th June 2005 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.

## 2005/06 financial calendar

<b>30 September</b>	End of first half of financial year
<b>November</b>	Interim results announced
<b>31 March</b>	Year end
<b>May</b>	Preliminary Results

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