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**H. C. SLINGSBY p.l.c.**

**ANNUAL REPORT & ACCOUNTS 2002**



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19/07/03

# DIRECTORS AND ADVISORS

## Directors

J. F. Slingsby - Executive Chairman  
D. S. Slingsby - Managing Director  
C. J. Slingsby - Sales Director  
R. G. Hudson - Financial Director  
A. E. Round - Operations Director  
E. N. Gudgeon - Non-Executive Director

## Company Secretary

R. G. Hudson

## Registered Office

Preston Street  
Bradford  
West Yorkshire BD7 1JF  
Tel : (01274) 721591  
Fax : (01274) 723044

## Registered Number

452716

## Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## Auditors

PricewaterhouseCoopers LLP  
Benson House  
33 Wellington Street  
Leeds LS1 4JP

## Solicitors

Hammonds  
2 Park Lane  
Leeds LS3 1ES

## Financial Advisors & Stockbrokers

Williams de Broë plc  
4 Park Place  
Leeds LS1 2RU

## Bankers

HSBC plc  
47 Market Street  
Bradford  
West Yorkshire BD1 1LW

## Website & E-Mail

The company's website address is [www.slingsby.com](http://www.slingsby.com)  
The company's e-mail address is [sales@slingsby.com](mailto:sales@slingsby.com)



## STATEMENT BY THE CHAIRMAN

*Our internet site has been completely re-designed to reflect our more contemporary brand positioning and now supports our fully integrated e-commerce facility.*

It is satisfying to report that despite a 3.8% drop in turnover we have achieved a pre-tax profit figure of £1.1million which is very similar to last year's performance. This result has been achieved in overall terms by improvements in our operating efficiency, tighter cost control and the effort and enthusiasm of the staff at all levels.

In August 2002, the company achieved certification to ISO9001: 2000 following a period of investment in education and quality awareness of personnel. Continuing along this theme, we are examining our commercial activities across the business and are about to embark on a number of significant projects including site and facilities re-organisation and lean engineering development programmes.

Throughout the year, our marketing strategy has continued to evolve. Superior segmentation of our customer base and more accurate targeting of campaigns have resulted in an improved return on investment and greater value from key accounts. Our internet site has been completely re-designed to reflect our more contemporary brand positioning and now supports our fully integrated e-commerce facility. Extensive new product development was also a

feature of the year and our latest Spring/Summer 2003 catalogue incorporates nine thousand new additions including many new categories of product.

The reduction in consumer confidence, and the general economic uncertainty on a global level in advance of the troubles in the Gulf, brought about a marked decline in commercial consumption as the year progressed, hampering our top line sales performance. Furthermore, since the commencement of military action in Iraq and as the nervousness of the economy continues, our order levels continue to be affected and we now find ourselves slightly behind last year's cumulative figure at the same point.

Your board is pleased to recommend a final dividend of 25.0p per share (2001: 25.0p per share). The total dividend for the year is therefore 30.0p per share (2001: 30.0p per share). The record date will be the 30 May 2003 and the payment date for the final dividend 1 July 2003.



J. F. Slingsby

Chairman

25 April 2003

# REPORT OF THE DIRECTORS

## Directors

The directors of the company are the persons listed on page 1, all of whom have been directors for the whole of the year.

## Principal Activities

The company's principal activities are the merchanting and manufacture of materials handling, storage and distribution equipment.

## Business Review

The Statement by the Chairman on page 2 includes a review of the business during the year.

## Dividends

	£
An interim dividend of 5.0p per share (2001: 5.0p per share) paid in January 2003 amounted to	50,000
The directors recommend a final dividend of 25.0p per share (2001: 25.0p per share) amounting to	<u>250,000</u>

## Directors' Interests

The beneficial interests of the directors and their immediate families in the shares of the company are:

	<i>Number of ordinary shares of 25p each</i>	
	<b>31 December 2002</b>	<b>1 January 2002</b>
J. F. Slingsby	61,962	41,962
C. J. Slingsby	25,220	25,220
D. S. Slingsby	21,500	21,500
R. G. Hudson	3,400	3,400
A. E. Round	1,350	1,350
E. N. Gudgeon	1,000	1,000

There have been no other changes to the above holdings up to 23 May 2003.

None of the directors had any beneficial interest in any contract of significance to which the company was a party, other than their service contracts, subsisting during the year.

In addition to the above, C. J. Slingsby and D. S. Slingsby together have a non-beneficial interest in respect of 61,000 ordinary shares.

## Existing use valuation of land and buildings

The freehold and long leasehold properties occupied by the company were valued by the external valuers, Dacre, Son & Hartley, Chartered Surveyors at 31 December 1999. Details of the valuation are disclosed in Note 7. In the opinion of the directors, there has been no significant change in the valuation since that date.



### Substantial Interests

So far as the directors are aware there were the following substantial interests, other than those stated on page 3, in the shares of the company at 23 May 2003:

	<i>Number of ordinary shares of 25p each</i>	<i>Percentage holding</i>
Mrs. J. Crowther Jones & Mr. T. E. Jones	59,376	5.9%
H. C. Slingsby p.l.c. Retirement Benefits Scheme	50,061	5.0%
Mrs. M. Miller	48,381	4.8%
Mr. J. H. Ridley	47,051	4.7%
Mrs. S. A. Williams	46,835	4.7%
Mrs. M. Slingsby	40,176	4.0%
Miss. K. J. Williams	40,000	4.0%
Mr. T.D. Wild	35,350	3.5%
Mr. S. Whittaker	32,500	3.3%

### Payments to Suppliers

The company agrees terms and conditions under which business transactions with its suppliers are conducted. It is the company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

Trade creditor days of the company at 31 December 2002 represented 68 days (2001: 53 days) purchases, based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

### Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a limited liability partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors.

A resolution to re-appoint PricewaterhouseCoopers LLP as the company's auditors will be proposed at the Annual General Meeting.

By Order of the Board



R. G. Hudson  
Company Secretary

23 May 2003

# DIRECTORS' REMUNERATION REPORT

## Directors' service contracts

Each executive director has a service contract dated 29 June 2000 terminable by either the company or the director on 12 months notice. Each director's basic annual salary is increased in August each year by a percentage equivalent to the increase (if any) in the Retail Price Index over the preceding 12 months. If an executive director is dismissed within 12 months after a change of control of the company, he should be entitled to a liquidated damages payment equal to 2 years gross salary and 2 years provision of his medical insurance, company car and pensions contributions benefits.

The non executive director has a letter of appointment which covers a 12 month period that expires on 31 October 2003.

## Remuneration and Service Contract Policies

The company aims to ensure that the executive directors' remuneration arrangements are competitive and, together with the terms of executive directors' service contracts, are designed to attract, retain and motivate executive directors of the necessary calibre. Account is taken of information from internal and independent sources on the remuneration for comparable positions in similar companies. It is currently envisaged that the company's current policy on directors' remuneration will continue for subsequent financial years, subject to review by the Remuneration Committee.

The remuneration for the services of the non executive director is determined by the board after considering general non executive pay levels for companies of a similar size. The non executive director is not eligible for performance related bonuses, benefits, or pension contributions.

## Details of Directors' Remuneration

	<i>Basic Salary and fees</i> £	<i>Benefits in kind</i> £	<i>Annual bonus</i> £	<i>Total for 2002</i> £	<i>Total for 2001</i> £
J. F. Slingsby	62,410	3,819	13,350	79,579	77,239
D. S. Slingsby	78,964	6,305	18,255	103,524	104,713
C. J. Slingsby	78,964	8,510	16,620	104,094	98,981
R. G. Hudson	78,964	8,997	14,985	102,946	99,722
A. E. Round	58,287	6,134	13,350	77,771	74,919
<b>Non-executive</b>					
E. N. Gudgeon	13,286	—	—	13,286	13,022
<b>TOTAL</b>	<b>370,875</b>	<b>33,765</b>	<b>76,560</b>	<b>481,200</b>	<b>468,596</b>

Benefits in kind include car benefit (except Mr. J.F. Slingsby) and private medical cover. Directors' business expenses are reimbursed by the company. No director waived emoluments in the year.



### Annual Bonus Payments

Each executive director is entitled to a bonus payment based on a pre-determined formula regarding the performance of the company in terms of profits before taxation.

### Pensions Arrangements

Messrs D. S. Slingsby, C. J. Slingsby, R. G. Hudson and A. E. Round are members of the H. C. Slingsby plc Retirement Benefits Scheme under which they accrue benefits of 1/30th of pensionable salary for each year of service (two thirds of final pensionable salary on retirement at age 65 where the Inland Revenue regulations allows). All their earnings including benefits in kind are pensionable but bonuses and other variable earnings are averaged over three years. The directors stated above are not required to contribute to the scheme. The company's general policy in relation to the Inland Revenue pensionable earnings "cap" is to compensate those affected by means of a suitable supplement, although there has, as yet, been no instance of this.

There have been no changes to the basis of directors' pension entitlements during the year and there are no unfunded pension commitments or similar arrangements for directors.

### Directors' Pension Entitlements

	Accrued Entitlement £	Increase in accrued pension during the year £	Transfer value of accrued pension at 31/12/02 £	Transfer value of accrued pension at 31/12/01 £	Movement in the transfer value over the year £	Transfer value of the increase in the accrued pension £
D. S. Slingsby	39,073	5,551	157,944	176,948	(19,004)	22,543
C. J. Slingsby	46,420	5,479	209,784	242,156	(32,372)	24,914
R. G. Hudson	66,907	8,756	356,848	395,792	(38,944)	47,004
A. E. Round	14,075	4,509	91,172	79,450	11,722	29,035

The accrued pension entitlement shown is the amount that would be paid each year on retirement based on service to the end of the current year. The increase in the additional pension earned during the year excludes any increase for inflation.

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the directors' pension benefits. They do not represent sums payable to individual directors' and, therefore, cannot be added meaningfully to annual remuneration.

Members of the pension scheme have the option of paying additional voluntary contributions. Neither the contributions nor the resulting benefits are included in the table above.

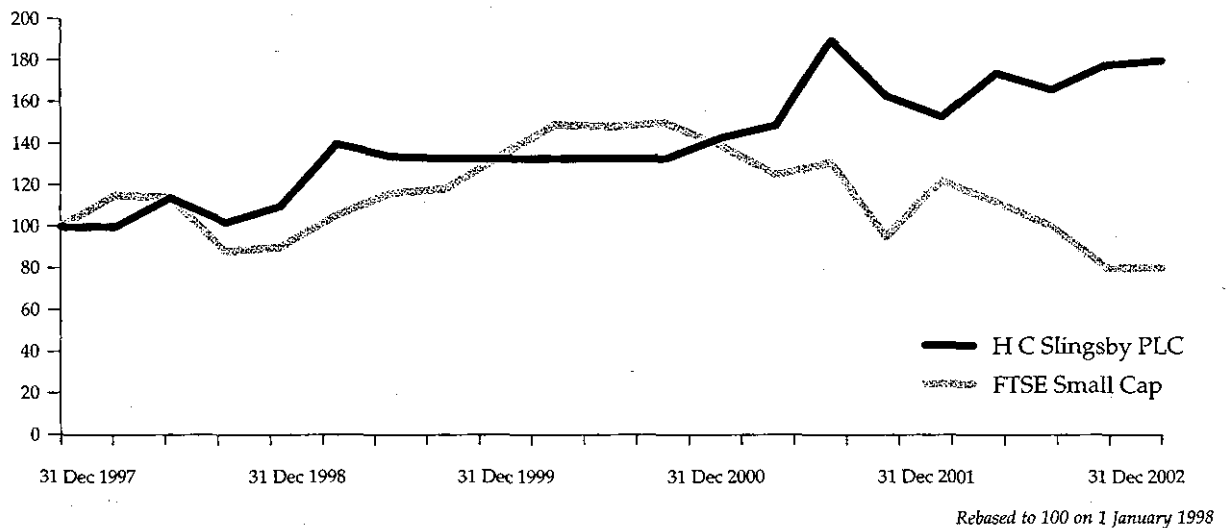
# DIRECTORS' REMUNERATION REPORT

## Share Options

No share options have been granted to any of the directors.

## Comparative Total Shareholder Return

This graph illustrates the performance of H. C. Slingsby plc and the FTSE Small Cap over the past five years. Performance is measured by total shareholder return (share price growth plus dividends). The directors consider the FTSE Small Cap Index the most appropriate comparator group because it is an index of similar sized companies to H. C. Slingsby plc.



# CORPORATE GOVERNANCE

## THE BOARD

The board meets on a monthly basis and special meetings are convened to discuss matters that require urgent consideration. The board has a Schedule of Matters specifically reserved to it for decision and has also established a procedure for all directors to take independent professional advice, if necessary, at the company's expense. Additionally all directors have access to the advice and services of the company secretary.

The board is now comprised of the following :-

Mr. J. F. Slingsby	-	Chairman of the Company
Mr. D. S. Slingsby	-	Managing Director*
Mr. C. J. Slingsby	-	Sales Director
Mr. R. G. Hudson	-	Financial Director and Company Secretary
Mr. A. E. Round	-	Operations Director
Mr. E. N. Gudgeon	-	Independent Non-Executive Director*

\* Member of both Audit and Remuneration Committees

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements in accordance with United Kingdom accounting standards for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 16, that reasonable and prudent judgements and estimate have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## RELATIONS WITH SHAREHOLDERS

The company is ready, where practicable, to enter into a dialogue with institutional shareholders based on the mutual understanding of objectives. The board also uses the Annual General Meeting to communicate with private investors.

## GOING CONCERN

After making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in preparing the company's accounts.

## **INTERNAL CONTROLS**

The board acknowledges that it is responsible for the company's system of Internal Control and for reviewing its effectiveness.

An ongoing process for identifying, evaluating and managing the significant risks faced by the company was put into place by the company and has remained in place up to the approval date of the Annual Report and Accounts. The board regularly reviews this process. This accords with the Internal Control Guidance for directors on the Combined Code produced by the Turnbull Working Party.

The Risk Evaluation Group is a management committee established by the managing director in order to ensure that business risk is considered, assessed and monitored as an integral part of the organisation. There is an ongoing process for identifying, evaluating and managing the company's significant risks.

The board intends to keep its risk control procedures under constant review through the Risk Evaluation Group, particularly with the need to embed Internal Control and Risk Management procedures further into the operations of the business, and to deal with areas for improvement which come to the management's and the board's attention.

Reflecting the size of the company, a key control procedure is the close day to day supervision of the business by the executive directors, supported by the senior management with responsibility for key operations.

The executive directors are involved in the budget setting process, constantly monitoring key performance indicators and reviewing the management accounts on a monthly basis, noting and investigating major variances. All significant capital expenditure decisions are approved by the board as a whole, in line with the Schedule of Matters Reserved for the Board.

The company's significant risks, together with the relevant control and monitoring procedures are subject to regular review to enable the board to assess the effectiveness of the system of Internal Control. The board has also specifically reviewed the effectiveness of the company's internal financial controls.

The company's system of Internal Control is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statement or loss.

## **COMPLIANCE STATEMENT**

The board considers that, with the exceptions set out below, the company has complied with the provisions of Section 1 of the Combined Code throughout the financial year from the perspective of a small quoted company.

### **Non-Executive Directors**

The Code requires not less than one third of the board to be non-executive directors (a minimum of two) and one should be appointed as the senior. The board feels that it is more important to have one high calibre non-executive who can fulfil the senior role than burden the company with the cost of an additional non-executive director. The decision to have less than one third will be reviewed annually.

### **Appointments to the Board**

The board, being six in number, performs the function of the Nomination Committee itself. The company's Memorandum and Articles of Association do not require executive directors to stand for re-election, except at the first Annual General Meeting following their appointment.



# CORPORATE GOVERNANCE

## Level of Remuneration

The Combined Code sets out the principle that remuneration should be sufficient to attract and retain the necessary directors and that a proportion of executive directors' remuneration should be related to corporate and individual performance. It is felt inappropriate at the present time to set individual performance objectives for the executive directors, but overall corporate objectives set in the five year business plan are felt to be more relevant in order that the board works effectively as a team.

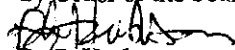
## Remuneration Committee

The Remuneration Committee is chaired by the non-executive director, who works closely with the company's professional advisors and the managing director. The other executive directors may be invited to join the Remuneration Committee meetings as appropriate. The executive directors do not take part in the discussions relating to their own remuneration. Although the Combined Code requires that the Remuneration Committee is wholly made up of independent non-executive directors, it is not considered feasible bearing in mind the size of the company.

## Audit Committee

This committee is made up of the non-executive director who chairs the committee and the managing director. It is responsible for maintaining effective systems and monitoring in conjunction with the company's external auditors the adequacy of the company's financial and internal controls, risk management, accounting policies, financial reporting and ensuring that there is adequate provision of information to enable the board to present a balanced and understandable assessment of the company's current position and future prospects. Although the Combined Code requires that the Audit Committee is wholly made up of independent non-executive directors, it is not considered feasible bearing in mind the size of the company. The board has also considered the need for an internal audit function and concluded that it was not appropriate, having considered the size of the company and the adequacy of the systems and controls in place.

By Order of the Board

  
R.G. Hudson  
Company Secretary

23 May 2003

# REPORT OF THE INDEPENDENT AUDITORS

## Independent auditors' report to the members of H.C. Slingsby p.l.c.

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

## Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors' are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 auditable part of the directors' remuneration report 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the un-audited part of the directors' remuneration report, the statement by the chairman, and the corporate governance statement.

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

## Basis of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors - Leeds

23 May 2003



## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

	2002	2001 (Restated)
Note	£	£
Turnover	17,333,323	18,023,034
Cost of sales	(14,702,464)	(15,541,472)
Gross profit	2,630,859	2,481,562
Distribution costs	(657,336)	(645,470)
Administrative expenses	(979,155)	(822,540)
Operating profit	994,368	1,013,552
Interest receivable	112,962	121,618
Profit on ordinary activities before taxation	3 1,107,330	1,135,170
Tax on profit on ordinary activities	4 (319,260)	(345,198)
Profit on ordinary activities after taxation	788,070	789,972
Dividends	5 (300,000)	(300,000)
Retained profit for the year	16 488,070	489,972
Earnings per share	6 78.8p	79.0p

All items dealt with in arriving at the profit on ordinary activities before taxation in 2002 and 2001 relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2002

	2002	2001 (Restated)
Note	£	£
Retained profit for the year	488,070	489,972
Prior year adjustment	16 (50,445)	
Total gains recognised since last annual report	437,625	

# BALANCE SHEET

for the year ended 31 December 2002

	Note	2002		2001 (Restated)	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		1,798,592		1,762,061
Investments	8		300,000		300,000
			<b>2,098,592</b>		<b>2,062,061</b>
<b>Current assets</b>					
Stock	9	1,326,257		1,409,186	
Debtors	10	2,730,847		2,870,892	
Cash at bank and in hand		3,755,700		3,398,007	
		<b>7,812,804</b>		<b>7,678,085</b>	
<b>Creditors: amounts falling due within one year</b>	11		<b>(3,876,913)</b>		<b>(4,210,001)</b>
<b>Net current assets</b>			<b>3,935,891</b>		<b>3,468,084</b>
<b>Total assets less current liabilities</b>			<b>6,034,483</b>		<b>5,530,145</b>
<b>Provisions for liabilities and charges</b>					
Deferred taxation	13		(78,338)		(62,070)
<b>Net assets</b>			<b>5,956,145</b>		<b>5,468,075</b>
<b>Capital and reserves</b>					
Called up share capital	15		250,000		250,000
Profit and loss account	16		5,706,145		5,218,075
<b>Equity shareholders' funds</b>	17		<b>5,956,145</b>		<b>5,468,075</b>

The accounts on pages 12 to 27 were approved by the board of directors on 23 May 2003 and were signed on its behalf by:

J. F. Slingsby

R. G. Hudson

Directors



# CASH FLOW STATEMENT

for the year ended 31 December 2002

	Note	2002		2001	
		£	£	£	£
<b>Net cash inflow from operating activities (page 15)</b>			<b>1,533,219</b>		<b>1,286,144</b>
<b>Returns on investments and servicing of finance</b>					
Interest received			113,253		120,833
<b>Taxation</b>					
UK Corporation tax paid			(354,168)		(323,736)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(413,967)		(354,195)	
Sales of tangible fixed assets		<u>107,425</u>		<u>61,531</u>	
<b>Net cash outflow from capital expenditure and financial investment</b>			<b>(306,542)</b>		<b>(292,664)</b>
Equity dividends paid			(300,000)		(300,000)
<b>Net cash inflow before use of liquid resources</b>			<b>685,762</b>		<b>490,577</b>
<b>Management of liquid resources</b>					
Increase in short term deposits with banks			(300,000)		(1,200,000)
<b>Increase/(decrease) in cash in the period</b>	18		<b>385,762</b>		<b>(709,423)</b>

# NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 December 2002

## Reconciliation of operating profit to net cash inflow from operating activities

	2002 £	2001 £
Operating profit	994,368	1,013,552
Depreciation	301,187	303,472
Profit on sale of fixed assets	(17,871)	(5,583)
Decrease in stocks	82,929	66,470
Decrease in debtors	247,559	284,087
(Increase)/decrease in prepayments	(117,621)	124,675
Increase/(decrease) in trade creditors	336,521	(443,542)
Decrease in other taxation and social security	(38,077)	(11,614)
Decrease in other creditors and accruals	(255,776)	(45,373)
<b>Net cash inflow from operating activities</b>	<b>1,533,219</b>	<b>1,286,144</b>

## Reconciliation to net cash

	Note	2002 £	2001 £
<b>Changes during the year</b>			
Cash at bank and in hand at 1 January	18	3,068,754	2,578,177
Increase/(decrease) in net cash		385,762	(709,423)
Movement in short-term deposits		300,000	1,200,000
<b>Cash at bank and in hand at 31 December</b>	<b>18</b>	<b>3,754,516</b>	<b>3,068,754</b>



# NOTES TO THE ACCOUNTS

## 1. Accounting Policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies, which the directors have adopted within that convention, are set out below. FRS 19 Deferred Tax has been adopted in the year. The adaptation of this new standard represents a change in accounting policy, which has been accounted for by means of a prior year adjustment.

### (a) Turnover

Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods which have been despatched to customers during the year. Substantially all of the company's turnover arises from its principal activities in the United Kingdom.

### (b) Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of fixed assets by equal annual instalments over their expected useful economic lives at the following rates:

Freehold buildings	2% per annum
Equipment	10-20% per annum
Computer and electronic equipment	33% per annum
Motor vehicles	25% per annum

Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease. Freehold land is not depreciated.

### (c) Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of work in progress and finished goods includes an appropriate proportion of production overheads.

### (d) Deferred Taxation

Deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences arise from the inclusion of profits and losses in the accounts in different periods from which they are recognised in tax assessments. Deferred tax is measured at the rate expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax assets are only recognised when it is regarded as more likely than not that there will be future taxable profits from which the deduction of the reversal of the underlying difference can be made. The deferred tax balance is not discounted.

### (e) Trade catalogues

Expenditure relating to the production and distribution of the main catalogue and supplementary mailings is apportioned to the relevant year after establishing their estimated useful lives. The cost carried forward to the following accounting period is included in prepayments.

### (f) Pensions

Contributions are charged to the profit and loss account so as to spread the cost of pensions over the expected remaining service lives of current employees.

### (g) Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis.

### (h) Foreign currency

All foreign exchange differences arising in the normal course of business are accounted for through the profit and loss account in the year in which they arise.

### (i) Investments

Investments are stated at cost.

### (j) Financial Instruments and Derivatives

The company has no overseas revenues or assets denominated in foreign currency, but sources approximately 15% of its goods for resale from outside the United Kingdom in foreign currency. The company's policy is to minimise currency exposure on future payments by entering into forward currency contracts having assessed the budgeted purchasing requirements. All other purchases are denominated in sterling.

#### Funding and Treasury Policy

The company's objectives in this area are to reduce or eliminate financial risk, to ensure sufficient liquidity is available to meet foreseeable requirements and to invest cash securely and profitably.

## 2. Employee information

	2002	2001
	£	£
Staff costs during year:		
Wages and salaries	3,176,050	3,162,431
Social security costs	222,718	223,887
Other pension costs (note 14)	360,783	309,019
	<u>3,759,551</u>	<u>3,695,337</u>

The average monthly number of persons employed by the company during the year was:

	Number	Number
Full time	160	167
Part time	14	10
	<u>174</u>	<u>177</u>

Details of directors' remuneration are set out on page 5.

## 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after (crediting)/charging:

	2002	2001
	£	£
Profit on disposal of tangible fixed assets	(17,871)	(5,583)
Depreciation on tangible fixed assets	301,187	303,472
Auditors' remuneration for audit	24,000	21,750
Auditors' remuneration for non-audit services	1,750	1,750
Hire of land and buildings – operating leases	29,312	37,500
	<u>302,992</u>	<u>363,913</u>

## 4. Taxation

	2002	2001
	£	Restated £
United Kingdom corporation tax at 30% (2001: 30%):	313,000	364,177
Adjustments in respect of prior years	(10,008)	(264)
Total current tax	<u>302,992</u>	<u>363,913</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	14,525	(16,715)
Adjustments in respect of prior years	1,743	(2,000)
Total deferred tax	<u>16,268</u>	<u>(18,715)</u>
Tax on profit on ordinary activities	<u>319,260</u>	<u>345,198</u>



## NOTES TO THE ACCOUNTS

continued

### 4. Taxation continued

The taxation rate of 27.4% (2001: 31.1%) is lower than the standard rate of corporation taxation of 30% applicable to the company. The differences are explained below:

	2002	2001
	£	Restated £
Profit on ordinary activities before taxation	1,107,330	1,135,170
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax at 30% (2001: 30%)	332,199	340,551
Effects of:		
Adjustments to tax in respect of prior year	(10,008)	(264)
Expenses not deductible for tax purposes	5,326	6,566
Accelerated capital allowances and other timing differences	(14,525)	17,060
Marginal relief	(10,000)	-
Current tax charge for the year	302,992	363,913

### 5. Dividends

	2002	2001
	£	£
Proposed interim dividend of 5.0p per share paid in January 2003 (2001: 5.0p per share)	50,000	50,000
Proposed final dividend of 25.0p per share (2001: 25.0p per share)	250,000	250,000
	300,000	300,000

### 6. Earnings per share

Basic earnings per share is based upon earnings of £788,070 (2001: £789,972 (restated)) and on 1,000,000 (2001: 1,000,000) ordinary shares in issue during the year.

There is no difference between basic earnings per share and diluted earnings per share for both years.

## 7. Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£	£	£	£
<b>Cost</b>				
At 1 January 2002	1,054,237	318,992	2,263,450	3,636,679
Additions	57,136	-	370,135	427,271
Disposals	-	-	(261,638)	(261,638)
<b>At 31 December 2002</b>	<b>1,111,373</b>	<b>318,992</b>	<b>2,371,947</b>	<b>3,802,312</b>
<b>Depreciation</b>				
At 1 January 2002	311,671	76,559	1,486,388	1,874,618
Charge for year	20,105	6,380	274,702	301,187
Eliminated on disposals	-	-	(172,085)	(172,085)
<b>At 31 December 2002</b>	<b>331,776</b>	<b>82,939</b>	<b>1,589,005</b>	<b>2,003,720</b>
<b>Net book value</b>				
At 31 December 2002	779,597	236,053	782,942	1,798,592
At 31 December 2001	742,566	242,433	777,062	1,762,061

The category equipment includes computer and electronic equipment along with motor vehicles which are individually not material.

### Valuation

The freehold and leasehold properties occupied by the company were valued by the external valuers, Dacre, Son & Hartley Chartered Surveyors, as at 31 December 1999, on the basis of existing use value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

	£
Value of freehold land and buildings	1,530,000
Value of leasehold land and buildings	215,000
	<u>1,745,000</u>

## 8. Investments

	2002	2001
	£	£
Cost of investment in capital protected bond	<u>300,000</u>	<u>300,000</u>

The investment is a 5 year capital protected bond with HSBC Life (Europe) Limited maturing on 15 January 2004. This has an option such that the company can choose to receive the value of the investment after 15 January 2002.



# NOTES TO THE ACCOUNTS

continued

9. Stocks	2002	2001
	£	£
Raw materials	317,513	407,301
Work in progress	46,270	25,058
Finished goods and goods for resale	962,474	976,827
	<u>1,326,257</u>	<u>1,409,186</u>

10. Debtors	2002	2001
	£	£
Trade debtors	2,205,774	2,453,333
Prepayments and accrued income	525,073	417,559
	<u>2,730,847</u>	<u>2,870,892</u>

11. Creditors: amounts falling due within one year	2002	2001
	£	£
Bank overdraft	1,184	329,253
Trade creditors	2,671,469	2,334,948
Corporation tax	313,000	364,177
Other taxation and social security payable	298,200	336,277
Other creditors	7,985	7,361
Accruals	285,075	537,985
Dividends payable	300,000	300,000
	<u>3,876,913</u>	<u>4,210,001</u>

## 12. Financial instruments and derivatives

Short-term debtors and creditors that meet the definition of a financial asset or liability respectively have been excluded from all FRS 13 analyses as permitted by the Standard.

The interest rate risk profile of financial assets at 31 December 2002 was as follows:

	Totals		Fixed Rate		Variable Rate	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Investment	300	300	-	-	300	300
Short-term Deposits	3,500	3,200	3,500	3,200	-	-
Cash at bank and in hand	255	198	-	-	255	198
	<u>4,055</u>	<u>3,698</u>	<u>3,500</u>	<u>3,200</u>	<u>555</u>	<u>498</u>

## 12. Financial instruments and derivatives continued

The interest rate risk profile of financial liabilities at 31 December 2002 was as follows:

	Totals		Fixed Rate		Variable Rate	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Overdraft payment on demand	(1)	(329)	-	-	(1)	(329)

The company had £400,000 (2001: £400,000) of undrawn committed borrowing facilities at the year end all of which expire within one year.

The investment is a 5 year capital protected bond with HSBC Life (Europe) Limited maturing on 15 January 2004. The bond's returns are linked to the UK Stock Market.

Further analysis of the interest rate profile at 31 December 2002 is as follows:

	Totals		Weighted average interest receivable rate at year end		Weighted average period for which the rate is fixed (months)	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	%	%		
Short-term Deposits	3,500	3,200	3.62	3.75	1	1

The deposits which were invested on the Money Market by HSBC Bank plc matured on 6 and 16 January 2003. Cash deposits are placed for varying terms depending upon interest rates and yields based principally on LIBOR rates. The overdraft bears interest based principally on LIBOR rates. Cash at bank yields interest based principally on LIBOR rates.

### Fair Values

Set out below is a comparison of the fair values of the financial assets and liabilities at 31 December 2002:

	Book Values		Fair Values	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Investment	300	300	289	292
Short-Term Deposits	3,500	3,200	3,500	3,200
Cash	255	198	255	198
<b>Liabilities</b>				
Overdraft	(1)	(329)	(1)	(329)
<b>Derivatives</b>				
Forward currency contracts	833	1,127	802	1,101

The fair value of the investment was the market value of the Bond at 31 December 2002 as confirmed by HSBC Life (Europe) Limited. The fair values of forward currency contracts have been calculated by using currency rates confirmed by HSBC Bank plc at 31 December 2002.



# NOTES TO THE ACCOUNTS

continued

## 12. Financial instruments and derivatives continued

### Currency Exposures and Gains and Losses on Hedges

The company enters into forward foreign currency contracts to eliminate certain currency exposures that arise on purchase contracts denominated in foreign currencies.

Under the company's accounting policy, foreign currency liabilities which are hedged using forward foreign currency contracts are translated at the forward rate inherent in the contracts. Consequently, the carrying value of the relevant liabilities effectively includes the gain or loss on the hedging instrument. Such gains and losses are treated as deferred for the information below.

At 31 December 2002 there were £31,000 of net losses (2001: £26,000) on forward currency transactions. These net losses are expected to be dealt with in the profit and loss account next year. During the year ended 2002 the £26,000 of net losses not recognised at 31 December 2001 were dealt with in the profit and loss account.

## 13. Provision for liabilities and charges

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

	£
At 1 January 2002 as previously reported	11,625
Prior year adjustment (see note 16)	50,445
	<hr/>
At 1 January 2002 as restated	62,070
Charge to profit and loss account	16,268
	<hr/>
At 31 December 2002	78,338
	<hr/>

	Amount provided		Amount unprovided	
	2002	2001 Restated	2002	2001 Restated
	£	£	£	£
Tax effect on timing differences due to:				
Accelerated tax allowances	56,561	55,627	-	-
Other	21,777	6,433	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	78,338	62,070	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

## 14. Pension commitments

The company has continued to account for pensions under SSAP 24 and the disclosures set out in section (a), below are those required by that standard. FRS 17 "Retirement Benefits" was issued in November 2000 and required phased transitional disclosures from 31 December 2001, which are set out in section (b) on page 23. In July 2002 the Accounting Standards Board (ASB) announced a proposal to defer the mandatory implementation of the standard and extended the transitional disclosure regime.

### (a) SSAP 24 Pension Costs

The pension scheme for the company's employees provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The scheme is funded to cover future pension liabilities (including expected future earnings and pension increases). It is subject to an independent valuation on a triennial basis by a qualified actuary who certifies the rate of the employer's contribution which, together with the specified contributions payable by the employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the scheme. The most recent valuation was on 1 January 2002.

#### 14. Pension commitments continued

The main long term actuarial assumptions used in that valuation which utilised the projected unit method were that the annual rate of return on investments would be 7% pre retirement and 5.5% post retirement and that the annual increase in earnings would be 5%. This valuation showed that the market value of the scheme's assets was £7,315,888 and that the value of those assets represented 79% of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings. The company decided to increase contributions to 23% of pensionable earnings (inclusive of member contributions) in accordance with the recommendations of the actuary with effect from 1 October 2002. From the same date, past members were asked to choose between the future pension accrual of N/60th with a member contribution of 8% of pensionable earnings and N/80th with a member contribution of 5% (previously N/60th with a member contribution of 5%).

For the purpose of SSAP 24 the assumptions are as used for the most recent valuation, other than post retirement investment returns and earnings increase which have been assumed to be 7% pa and 4% pa respectively. The deficit in the scheme on this basis as at 31 December 2002 was £587,000, and is being amortised over 15 years.

The pension charge for the year on the SSAP 24 assumptions was £360,783 (2001: £309,019) including widows pension. The resulting balance sheet item after allowing for actual contributions paid is a prepayment of £31,000 (2001: Nil).

#### (b) FRS 17 Retirement Benefits

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 January 2002 and updated to 31 December 2002 by a qualified independent actuary.

The major assumptions used to assess the schemes liabilities under FRS 17 are:

Valuation Method	2002 Projected Unit	2001 Projected Unit
Rate of increase in salaries	3.3%	3.6%
Rate of increase in pensions in payment	2.3%	2.6%
Discount rate	5.5%	5.8%
Inflation assumption	2.3%	2.6%

The assets in the scheme and their expected rates of return at 31 December 2002 and 31 December 2001 are:

	At December 2002		At December 2001	
	Long term rate of return %	£'000	Long term rate of return %	£'000
Equities	8.0	4,398	7.0	6,031
Bonds	5.1	1,667	5.8	862
Property	8.0	-	7.0	73
Cash	4.0	250	4.0	336
		<u>6,315</u>		<u>7,302</u>

The following amounts at 31 December 2001 and 31 December 2002 were measured in accordance with the requirements of FRS 17.

	2002 £'000	2001 £'000
Total market value of assets	6,315	7,302
Present value of scheme liabilities	(9,169)	(8,901)
Deficit in scheme	(2,854)	(1,599)
Related deferred tax asset	856	480
Net pension liability	<u>(1,998)</u>	<u>(1,119)</u>



# NOTES TO THE ACCOUNTS

continued

## 14. Pension commitments continued

	2002 £'000
<b>Analysis of amount charged to operating profit</b>	
Current service cost	265
<b>Analysis of amount charged to other finance cost</b>	
Expected return on pension scheme assets	493
Interest on pension scheme liabilities	(515)
Net return	(22)
<b>Analysis of amount recognised in the statement of total recognised gains and losses</b>	
Actual return less expected return on pension scheme assets	(1,560)
Experience gains and losses arising on the scheme liabilities	344
Changes in assumptions underlying the present value of the scheme liabilities	(127)
Actuarial loss recognised in the statement of total of recognised gains and losses	(1,343)
<b>Movement in scheme deficit during the year</b>	
Deficit in scheme at 1 January	(1,599)
Current service cost	(265)
Contributions	375
Other finance cost	(22)
Actuarial loss	(1,343)
Deficit in scheme at 31 December	(2,854)
<b>History of experience gains and losses</b>	
Difference between the expected and actual return on scheme assets:	2002 £'000
Amount	(1,560)
Percentage of scheme assets	25%
Experience gains and losses on scheme liabilities:	
Amount	344
Percentage of the present value of the scheme liabilities:	4%
<b>Total amount recognised in statement of total recognised gains and losses:</b>	
Amount	(1,343)
Percentage of the present value of the scheme liabilities:	(15%)

#### 14. Pension commitments continued

If the above amounts had been recognised in the accounts, the company's net assets and profit and loss account reserve at 31 December 2002 would have been as follows;

	2002 £'000	2001 £'000 (Restated)
<b>Net assets (excluding SSAP 24 pension asset)</b>		
Net assets	5,925	5,468
Pension liability	(1,998)	(1,119)
Net assets including pension liability	<u>3,927</u>	<u>4,349</u>
<b>Reserves</b>		
Profit and loss account (excluding SSAP 24 pension asset)	5,675	5,218
Pension deficit	(1,998)	(1,119)
Profit and loss account including pension deficit	<u>3,677</u>	<u>4,099</u>

#### 15. Share capital

	2002 £	2001 £
<b>Authorised:</b>		
1,200,000 ordinary shares of 25p each	<u>300,000</u>	<u>300,000</u>
<b>Allotted, called up and fully paid:</b>		
1,000,000 ordinary shares of 25p each	<u>250,000</u>	<u>250,000</u>

#### 16. Profit and loss account

	2002 £
At 1 January 2002 as previously reported	5,268,520
Prior year adjustment re: FRS 19	(50,445)
At 1 January 2002 as restated	<u>5,218,075</u>
Restated profit for the financial year	<u>488,070</u>
At 31 December 2002	<u>5,706,145</u>

#### Prior year adjustment

FRS 19 Deferred Tax has been adopted for the first time in the financial statements and full provision for deferred tax has been made. In previous periods the company's accounting policy was not to provide for deferred tax unless there was a reasonable probability that a liability would arise in the foreseeable future. The change in policy has been accounted for by means of a prior year adjustment of £45,785 as at 1 January 2001. The effect of the change in accounting policy has been to increase the tax charge for the year ended 31 December 2001 by £4,660 and the results have been restated accordingly. The cumulative adjustment to prior year reserves at 1 January 2002 is £50,445.



# NOTES TO THE ACCOUNTS

continued

## 17. Reconciliation of movements in equity shareholders' funds

	2002	2001 Restated
	£	£
Profit for the financial year	788,070	789,972
Dividends	(300,000)	(300,000)
Net addition to equity shareholders' funds	488,070	489,972
Opening equity shareholders' funds as previously reported	5,518,520	4,978,103
Prior year adjustment re: FRS 19	(50,445)	-
Opening equity shareholders' fund as restated	5,468,075	4,978,103
Closing equity shareholders' funds	<u>5,956,145</u>	<u>4,978,103</u>

## 18. Reconciliation of movement in net cash

	At 1 January 2002	Cash Flow	At 31 December 2002
	£	£	£
Cash in hand and at bank	198,007	57,693	255,700
Overdraft	(329,253)	328,069	(1,184)
Liquid resources	<u>(131,246)</u>	385,762	254,516
Net Cash	3,200,000	300,000	3,500,000
	<u>3,068,754</u>	<u>685,762</u>	<u>3,754,516</u>

Liquid resources comprise short-term deposits with HSBC Bank plc, which mature within 12 months of the date of inception.

## 19. Financial commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases for land and buildings as follows:

	2002	2001
	£	£
Operating leases which expire:		
- in less than one year	3,750	8,641
- in the second to fifth year inclusive	16,250	17,400
	<u>20,000</u>	<u>26,041</u>

The majority of the company's leases of land and buildings are subject to rent review periods of five years.

## 20. Capital commitments

Capital commitments at the year end were:

	2002	2001
	£	£
Contracted for but not provided in these financial statements	<u>60,000</u>	<u>103,000</u>

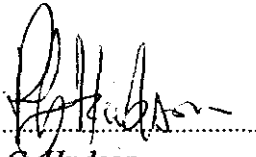


# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifty-fifth Annual General Meeting of H. C. Slingsby p.l.c. will be held at The Victoria Hotel, Bridge Street, Bradford BD1 1JX on Thursday 19th June 2003 at 10.00 a.m. for the following purposes:

1. To receive the report and financial statements of the company for the period ended 31 December 2002.
2. To receive and approve the directors' remuneration report for the year ended 31 December 2002.
3. To approve payment of a final dividend in the sum of 25.0p per ordinary share.
4. To re-appoint PricewaterhouseCoopers LLP as independent auditors to the company and authorise the directors to fix their remuneration.

By Order of the Board



R. G. Hudson  
*Company Secretary*

23 May 2003

Registered Office: Preston Street, Bradford, BD7 1JF

#### Notes:

- 1) A member of the company entitled to attend and vote is entitled to appoint a proxy, who need not be a member of the company, to attend and vote instead of them. To be valid the proxy form must be lodged at the office of the Registrars at 34 Beckenham Road, Beckenham, Kent BR3 4TU at least 48 hours before the Meeting.
- 2) The register of interests of the company's directors and their immediate families in the shares of the company together with copies of the service contracts of the directors of the company, will be available for inspection at the registered office on any weekday during normal working business hours, and during and for 15 minutes prior to the Annual General Meeting at the place of the meeting.