

**H C Slingsby plc (“Slingsby” or “the Company”)
Report for the half year ended 30 June 2017**

Statement by the Chairman

Trading

In my trading update of 28 June 2017, I reported that Group sales were higher than prior year, overheads were reduced and so performance was improved in the five months to 31 May 2017.

This improved performance continued for the remainder of the period under review and I am pleased to report a profit before tax of £0.1m in the six months to 30 June 2017. This represents a significant turnaround from the loss before tax of £0.4m in the comparable period last year and is largely due to increasing sales by 7% to £9.9m (£9.3m:2016) and reducing overhead costs. The increase in sales arose primarily within the Slingsby business as a result of changes made to the Slingsby marketing strategy and materials since the management changes of 2016 and from improved sales of Slingsby products sold through our subsidiary ESE Direct Limited. Some of the overhead savings that were achieved were the result of synergies realised within the Group.

Whilst delighted to report a return to profitability in the first half of the year, we remain cautious regarding the outlook due to anticipated lower levels of activity over the summer months and the volatility experienced in the recent past.

Balance sheet

Group net assets have increased to £0.7m at 30 June 2017 from £0.4m at 31 December 2016. This is mostly due to a reduction in the liability relating to the defined benefit pension scheme from £9.6m to £9.4m despite the Company having not paid any deficit reduction contributions in the period. Scheme liabilities increased during the six months to 30 June 2017 but were more than offset by the performance of the scheme's assets.

We remain in discussion with the trustees of the Company Pension Scheme regarding a long term solution to the pension scheme deficit and continue to pay the running costs previously agreed with the trustees. Until these discussions regarding the defined benefit pension scheme are concluded, the quantum and timing of future deficit reduction payments in this regard are uncertain.

Cashflow

The Group had net debt of £1.65m at 30 June 2017 (£1.96m at 30 June 2016) which represents a small improvement from the position at 31 December 2016 of £1.7m. The Group continues to operate within its existing banking facilities and the Directors continue to believe that the Group has additional funding options available should the need arise.

Dividend

The Board has decided not to declare an interim dividend.

People

The improved trading performance is the result of the hard work by all our employees across the Group and I would like to thank them for their help in turning the Group back to profitability. There is still a great deal to do to secure our recovery and we must ensure we do not lose focus.

Dominic Slingsby
Interim Executive Chairman and Operations Director

9 August 2017

For further information please contact:

H C Slingsby plc

Dominic Slingsby, Interim Executive Chairman 01274 535 030
Morgan Morris, Finance Director

Allenby Capital Limited

David Worlidge/Richard Short 020 3328 5656

Unaudited Condensed Consolidated Income Statement for the half year ended 30 June 2017

		Half year ended 30/06/17 (Unaudited) £'000	Half year ended 30/06/16 (Unaudited) £'000	Year ended 31/12/16 (Audited) £'000
Revenue		9,936	9,276	18,044
Operating profit/(loss) before exceptional items		291	(162)	(261)
Exceptional items	2	-	(85)	(102)
Operating profit/(loss)		291	(247)	(363)
Finance costs		(168)	(177)	(369)
Profit/(loss) before taxation		123	(424)	(732)
Taxation	3	(6)	(23)	76
Profit/(loss) for the period attributable to equity shareholders		117	(447)	(656)
Basic and diluted profit/(loss) per share		11.7p	(44.7p)	(65.6p)

The results set out above derive entirely from continuing operations.

The above unaudited condensed consolidated income statement should be read in conjunction with the accompanying notes.

Unaudited Consolidated Statement of Comprehensive Income and Expense for the half year ended 30 June 2017

		Half year ended 30/06/17 (Unaudited) £'000	Half year ended 30/06/16 (Unaudited) £'000	Year ended 31/12/16 (Audited) £'000
Profit/(loss) for the period		117	(447)	(656)
Items that will not be reclassified to profit or loss				
Remeasurements of post-employment benefit obligations		326	(566)	(1,555)
Movement in deferred tax relating to retirement benefit obligation		(152)	102	280
Items that may be subsequently reclassified to profit or loss				
Exchange adjustment		5	25	31
Other comprehensive income/(expense)		179	(439)	(1,244)
Total comprehensive income/(expense) recognised for the period attributable to equity shareholders		296	(886)	(1,900)

The above unaudited consolidated statement of comprehensive income and expense should be read in conjunction with the accompanying notes.

Unaudited Consolidated Balance Sheet as at 30 June 2017

	30/06/17 (Unaudited) £'000	30/06/16 (Unaudited) £'000	31/12/16 (Audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	5,753	5,986	5,838
Intangible assets	1,003	1,195	1,108
Goodwill	2,409	2,409	2,409
Deferred tax asset	1,604	1,527	1,733
	-----	-----	-----
	10,769	11,117	11,088
	-----	-----	-----
Current assets			
Inventories	1,830	1,819	1,811
Trade and other receivables	2,618	2,717	2,525
Cash and cash equivalents	1,012	456	632
Current tax asset	21	-	-
Derivative financial asset	3	24	-
	-----	-----	-----
	5,484	5,016	4,968
	-----	-----	-----
Liabilities			
Current liabilities			
Trade and other payables	(2,938)	(3,230)	(3,154)
Bank borrowings	(2,662)	(2,415)	(2,363)
Finance lease obligations	(44)	(44)	(44)
Derivative financial instruments	-	-	(13)
Other loan	-	(40)	-
	-----	-----	-----
	(5,644)	(5,729)	(5,574)
	-----	-----	-----
Net current liabilities	(160)	(713)	(606)
	-----	-----	-----
Non-current liabilities			
Retirement benefit obligation	(9,430)	(8,483)	(9,626)
Finance lease obligations	(15)	(45)	(37)
Deferred tax liabilities	(465)	(459)	(416)
	-----	-----	-----
Net assets	699	1,417	403
	-----	-----	-----
Capital and reserves			
Share capital	250	250	250
Retained earnings	422	1,151	131
Translation reserve	27	16	22
	-----	-----	-----
Total equity	699	1,417	403
	-----	-----	-----

The above unaudited consolidated balance sheet should be read in conjunction with the accompanying notes.

Unaudited Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £'000	Retained earnings £'000	Translation reserve £'000	Total equity £'000
At 1 January 2016	250	2,062	(9)	2,303
Total comprehensive expense recognised for the period	-	(911)	25	(886)
At 30 June 2016	250	1,151	16	1,417
At 1 January 2017	250	131	22	403
Total comprehensive income recognised for the period	-	291	5	296
At 30 June 2017	250	422	27	699

The above unaudited consolidated statement of changes in shareholders' equity should be read in conjunction with the accompanying notes.

Unaudited Consolidated Statement of Cash Flows for the half year ended 30 June 2017

	Note	Half year ended 30/06/17 (Unaudited) £'000	Half year ended 30/06/16 (Unaudited) £'000	Year ended 31/12/16 (Audited) £'000
Cash flows from operating activities				
Cash generated from/(used in) operations	4	184	(390)	(84)
UK corporation tax received		4	-	23
Interest paid		(39)	(21)	(61)
Cash generated from/(used in) operating activities		149	(411)	(122)
Cash flows from investing activities				
Purchase of property, plant and equipment		(33)	(35)	(98)
Purchase of intangible assets		(20)	(32)	(40)
Proceeds from sales of property, plant and equipment		2	-	51
Payment in respect of ESE acquisition		-	(30)	(30)
Net cash outflow from investing activities		(51)	(97)	(117)
Cash flows from financing activities				
Capital element of finance lease repayments		(22)	(22)	(57)
New finance leases		-	-	27
Proceeds from borrowing		65	121	50
Net cash generated from financing activities		43	99	20
Net increase/(decrease) in cash and cash equivalents		141	(409)	(219)
Opening cash and cash equivalents		(479)	(291)	(291)
Exchange differences		5	25	31
Closing cash and cash equivalents		(333)	(675)	(479)

The above unaudited consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Report for the half year ended 30 June 2017

1. Interim Financial Information

The unaudited condensed consolidated interim financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial statements, which are unaudited and have not been reviewed by the Company's auditors, have been prepared in accordance with the policies set out in the 2016 Annual Report and Accounts. The comparative figures for the year ended 31 December 2016 do not constitute full financial statements and have been abridged from the full accounts for the year ended on that date, on which the auditors gave an unqualified report, which did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006. The 2016 accounts have been delivered to the Registrar of Companies. The Company has chosen not to adopt IAS 34 'Interim Financial Statements'.

2. Exceptional items

	Half year ended 30/06/17 (Unaudited) £'000	Half year ended 30/06/16 (Unaudited) £'000	Year ended 31/12/16 (Audited) £'000
Redundancy and compensation costs	-	85	102
	-----	-----	-----
	-	85	102
	-----	-----	-----

The restructuring costs include salaries in lieu of notice, redundancy pay, holiday pay, social security costs and related legal expenditure.

3. Taxation

	Half year ended 30/06/17 (Unaudited) £'000	Half year ended 30/06/16 (Unaudited) £'000	Year ended 31/12/16 (Audited) £'000
Current tax	(21)	-	(27)
Deferred tax	27	23	(49)
	-----	-----	-----
	6	23	(76)
	-----	-----	-----

The effective tax rate is nil.

4. Cash generated from/(used in) operations

	Half year ended 30/06/17 (Unaudited) £'000	Half year ended 30/06/16 (Unaudited) £'000	Year ended 31/12/16 (Audited) £'000
Profit/(loss) before tax	123	(424)	(732)
Net finance costs	168	177	369
Depreciation and amortisation	243	268	527
Profit on sale of property, plant and equipment	(2)	-	(5)
Pension deficit contributions	-	(270)	(270)
(Increase)/Decrease in inventories	(19)	(42)	(33)
(Increase)/Decrease in trade and other receivables	(101)	(390)	(169)
(Decrease)/Increase in trade and other payables	(228)	291	229
	-----	-----	-----
Cash generated from/(used in) operating activities	184	(390)	(84)
	-----	-----	-----

5. Availability of Interim Report

The Interim Report will be available on the Company's website www.slingsby.com.