

# HC Slingsby plc

## Report & Accounts

for the year ended 31st December 2015



**Slingsby**  
Your workplace partner

# Contents

Statement by the Chairman	1
Strategic report	2
Report of the Directors	4
Corporate Governance	6
Statement of Directors' Responsibilities	7
Independent Auditors' Report	8
Consolidated Income Statement	10
Statement of Consolidated Comprehensive Income and Expense	11
Statements of Consolidated and Company changes in shareholders' equity	12
Consolidated Balance Sheet	13
Company Balance Sheet	14
Consolidated Cash Flow Statement	15
Company Cash Flow Statement	16
Note to the Cash Flow Statements	16
Notes to the Accounts	17
Five Year Summary	36
Notice of Annual General Meeting	37
Notes to the Notice of Annual General Meeting	39

Directors & Advisors  
Directors  
J. R. Waterhouse –  
Executive Chairman  
D. S. Slingsby – Operations  
Director  
M. L. Morris – Financial Director

Company Secretary  
M. L. Morris

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Solicitors  
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(UK) LLP  
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Leeds LS3 1ES

Financial Advisors & Brokers  
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Website & E-Mail

The company's website  
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[www.slingsby.com](http://www.slingsby.com)  
The company's e-mail address is:  
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We are one of the UK market leaders in the distance selling of industrial & commercial equipment.

We manufacture and distribute over 35,000 high quality products covering everything you need for the workplace from handling and lifting and premises equipment to retail and office supplies, including many new ideas to help keep your business running smoothly.

We are committed to providing our customers with an extensive product range, outstanding service and efficient delivery.

In my 2015 half year statement I reported a pre-tax trading loss (before exceptional items) of £0.15m on sales of £7.7m. Sales in the autumn did show some improvement before falling away in the last two months of the year. The full year pre-tax trading loss (before exceptional items) was £0.35m (2014: £0.26m) on sales of £17.1m (2014: £12.6m). Together with the exceptional restructuring cost and costs associated with the acquisition of ESE of £281,000, the full year pre-tax loss for 2015 was £0.63m (2014: £0.45m).

On 27 March 2015, we announced the acquisition of ESE Direct Limited ("ESE"), a supplier of industrial and commercial equipment operating in the same sector as Slingsby and based in Norwich. The consideration was £3.4m net of surplus cash on acquisition. This was financed through a combination of cash and asset backed finance.

ESE contributed £4.8m of turnover and £0.13m profit before tax to the group following its acquisition (prior to amortisation of intangible assets arising on acquisition). Whilst ESE's performance since acquisition has fallen short of initial expectations, we expect that recent management changes and the realisation of synergies will improve profit contribution in 2016.

Sales to 30th of April 2016 for the Slingsby business are 3.3% down on the corresponding period in 2015 but there are some signs that the decline against the prior year has slowed. The market continues to be extremely competitive and we have to respond to that challenge with further significant changes in the way we do business.

Your Board recognises that continuing losses are not acceptable and that urgent action is necessary to return your company to profitability. On 19 April 2016 Dominic Slingsby stood down as Managing Director of H C Slingsby plc to take up the post of Operations Director. On behalf of all shareholders I thank him for his many years of service as Managing Director.

We shall seek a new Managing Director but in the meantime I have taken responsibility for the group as Interim Executive Chairman until the new Managing Director is in post. We shall in the meantime also seek one or more new Non-Executive Directors to strengthen our Board and help our recovery. When the new Board is complete I expect to retire from the Company.

Lee Wright, Sales and Marketing Director, has also resigned from the Board, on 19 May 2016, and I thank him for his many years of service as a director.

On behalf of the Board I would once again like to thank all our loyal staff in both Bradford and in Norwich after another difficult year. All their experience and ingenuity will be required to turn your company back into profit.

In view of the continuing loss in 2015, the Board is unable to recommend a final dividend for the year (2014: 6p).

These are difficult times for your Company as we strive to adapt to meet the challenges of today's market and I ask that shareholders show their support for the Board's recovery plan by re-electing all the Directors offering themselves for re-election at the Annual General Meeting on 30 June.

**J. R. Waterhouse**  
Executive Chairman  
25 May 2016

The group's principal activity comprises the merchandising and distribution of a highly diversified range of industrial and commercial equipment primarily consisting of incidental purchasing supplies. The range spanning some 35,000 products includes the following sectors: materials handling, access, storage and shelving, office, safety and security, janitorial, mailroom and packaging, workshop and maintenance, environmental and waste management, premises, signs and labels, flooring and matting.

The sector is highly fragmented consisting of a small number of directly comparable distance selling organisations and an increasingly large number of specialist distributors. Our customer base is similarly diverse and consequently demand derived from these organisations is reflective of the current macroeconomic circumstances.

The group is seeking to build upon our strengths in distance selling and to further enhance our e-commerce offering as well as to diversify our brand portfolio to capture different customer segments who have alternative service propositions and pricing strategies. We believe that deploying e-commerce initiatives with not only customers but also key trading partners will produce efficiencies as well as growth opportunities. During 2015, we have continued to work with our IT partners to improve our e-commerce offering and to become a true omnichannel business.

During these continued challenging times, businesses will aggressively seek to cut the cost of procurement. Our focus is not only on providing value, choice and quality but moreover to differentiate ourselves by providing excellent knowledge and service in an ever changing regulatory environment. One key way in which we do this is by offering a broad spectrum of specialist publications that have pioneered the provision of knowledge and expertise to the facilities management and occupation health sectors. Next day delivery is offered on a substantial proportion of our lines to further augment our service levels.

In addition, during 2016 we plan to further invest in our pricing strategy across the group. Our acquisition of ESE Direct Limited provides the opportunity to differentiate our core value proposition with a second brand in the highly competitive web sales arena. The acquisition fits directly into our core operations and we expect to continue to generate synergies to augment ESE's contribution to group profitability.

The directors believe that the group's strong core brand values of quality, reliability and service excellence remain as true today as they have done over the past 120 years of trading and this is recognised by the significant number of repeat customers. We believe that this focus on value and service will arrest the decline in sales experienced over recent years.

## Key Performance Indicators and Business Performance

	2015	2014
Sales growth	<b>35.5%</b>	(9.9%)
Return on capital employed	<b>(27.4%)</b>	(16.3%)
Return on sales	<b>(3.7%)</b>	(3.6%)
Gross profit margin	<b>36.6%</b>	40.0%

### Notes:

*Sales growth includes sales from ESE Direct Limited acquired on 27 March 2015. Comparable sales growth was (1.7%).*

*Return on capital employed is calculated as loss before taxation over the total equity at the year end. Excluding ESE the comparative is (28.3%).*

*Return on sales is calculated as loss before taxation over revenue. Excluding ESE the comparative is (5.2%).*

A review of the business is included in the Statement by the Chairman on page 1.

## Principal risks and uncertainties

The directors recognise that there are a number of risks that may affect the performance of the business as below. These risks and uncertainties are subjected to regular review and where appropriate, processes are established to minimise the level of exposure.

### People

The principal asset of the group is the commitment and skill of its people. The retention of these people is therefore key to the success of the business. The group has in place incentive schemes which are related to its results and which allow all employees to participate in the success of the group as a whole.

### Economic and market cycles and volatility

The group's operating performance is influenced by the economic conditions of the regions in which it operates, principally the UK. The continued uncertain economic environment could result in a general reduction in business activity and a consequent loss of income for the group.

The main risk arising from the group's financial instruments is liquidity risk. The group ensures that it has sufficient bank facilities available to meet all short term cash requirements for the foreseeable future. The group purchases a significant amount of its products from overseas suppliers in foreign currencies and uses forward foreign currency contracts. The group's borrowings are on floating rates of interest and so the cost of these facilities would increase should interest rates rise. The Board keeps these risks under regular review.

## Commercial Relationships

The group benefits from many long term relationships with key customers but having many thousands of customers gives us low revenue concentration risk. The group, which has no significant supplier dependency, is in frequent contact with its suppliers to ensure that it is fully aware of market trends and innovations.

## Technology Changes

Following the significant investment made in our IT system, we continue to work with our IT partners to further augment our systems. During 2016, we plan to implement the Slingsby business system at ESE Direct Limited.

## Competition

The group recognises that although it operates primarily within the UK it has to be mindful of highly competitive pan-European and global activity as well as service and performance criteria in local markets. Margins are carefully monitored and the commercial offering is adjusted where appropriate.

## Regulatory

To ensure that we remain fully compliant with all regulatory requirements we constantly monitor changes in laws, regulations and standards relating to employment, safety, environment and quality, to enable us to adapt our policies and procedures accordingly. This ensures we continue to meet customer requirements, minimise business impact and control costs, whilst observing our legal and social responsibilities.

## Approvals

To demonstrate our commitment to continuous improvement in both Quality and Environmental Management we remain UKAS (UK Accreditation Service) accredited to the international standards ISO 9001:2008 and ISO 14001:2004 respectively.

## Exceptional Item

The costs of the acquisition of ESE Direct Limited resulted in an exceptional item of £193,000. A further exceptional item of £88,000 related to redundancy and compensation costs (total exceptional items £281,000). In the prior year, redundancy costs were £193,000.

## Pensions

The group has an obligation to fund its defined benefit pension scheme and this creates an exposure to interest rates, inflation, investment return and the longevity of the plan members. The group eliminated these risks for future service by the closure of the scheme to future accrual from 31 March 2009; however, the funding of the past service liabilities remains and has the potential to create significant variances in the group's cash flows and balance sheet.

Contributions to this scheme totalled £500,000 during 2015 and, together with the substantial costs of running the scheme, represents a significant commitment for the Group to meet.

## Health and Safety

We continue to meet our statutory and regulatory environmental obligations, through membership of our local Eco-Network and appropriate compliance schemes. The group initiatives in optimising our carbon footprint not only benefit the environment but also reduce our costs.

## Environmental Sustainability

In addition to statutory and regulatory compliance, the group takes pride in its environmental initiatives which have been recognised by winning prestigious awards for carbon reduction.

By order of the Board

**M. L. Morris**  
Company Secretary  
25 May 2016

## Report of the Directors

The directors are pleased to present their annual report and audited consolidated financial statements for the year ended 31 December 2015. Future developments are considered in the Statement by the Chairman on page 1.

H C Slingsby plc is a public limited company with securities traded on the AIM market of the London Stock Exchange. It is incorporated and domiciled in the United Kingdom and based in Baildon, West Yorkshire.

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are as follows:

J.R. Waterhouse

C.J. Slingsby (resigned 17 June 2015)

D.S. Slingsby

L.R. Wright (resigned 19 May 2016)

M.L. Morris (appointed 13 February 2015)

R.G. Hudson (resigned 13 February 2015)

### Dividends

The following dividends have been proposed for the 2015 financial year:

	£'000
An interim dividend of nil pence per share (2014: 2p per share)	-
The directors recommend a final dividend of nil pence per share (2014: 4p per share)	-

### Directors' Interests

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

	Number of ordinary shares of 25p each	
	31 December 2015	1 January 2015
J.R. Waterhouse	1,000	1,000
C.J. Slingsby	53,886	53,886
D.S. Slingsby	51,167	51,167
R.G. Hudson	-	3,400
L.R. Wright	2,000	2,000
M.L. Morris	1,000	-

On 24 April 2015 M. L. Morris purchased 1,000 ordinary shares of 25p each.

There have been no other changes in the directors' shareholdings between 31 December 2015 and 25 May 2016.

None of the directors had any beneficial interest in any contract of significance to which the company was a party, other than their employment 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 64,000 (2014: 64,000) ordinary shares.

### Going Concern

After making appropriate enquiries, including a review of forecasts and strategic plans, the directors have a reasonable expectation that the group 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 group's accounts.

### Substantial Interests

So far as the directors are aware these were the following substantial interests, other than those included in directors' interests, in the shares of the company at 25 May 2016:

	Number of ordinary Shares of 25p each	Percentage Holding
M. Chadwick*	180,295	18.0%
J. Crowther Jones & Mr. T. E. Jones	54,866	5.5%
J. H. Ridley	54,302	5.4%
S. E. Slingsby	51,167	5.1%
M. Miller (registered in the name of Platform Securities Nominees Limited)	48,381	4.8%
H. Slingsby	47,138	4.7%
K. J. Williams	37,000	3.7%
S. Whittaker	32,500	3.3%
S. A. Williams	30,835	3.1%
H C Slingsby plc Retirement Benefits Scheme	30,061	3.0%

\* 80,995 registered in the name of Goodbody Stockbrokers Nominees Ltd and 99,300 in the name of Rulegale Nominees Limited

## Financial Instruments

The group's financial instruments comprise cash, forward foreign exchange contracts and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the group's operations.

Financial risk management disclosures are included in note 22 to the financial statements.

## Indemnification of Directors

The company confirms that qualifying third party indemnity insurance cover has been effected in respect of directors' and officers' liability to protect "insured persons" in respect of liabilities devolving on them for wrongful acts arising in the normal conduct of the business. This was in place throughout the last financial year and is currently in force.

## Audit Information

So far as each of the directors is aware, there is no relevant information that has not been disclosed to the company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the company's auditors have been made aware of that information.

## Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as the company's auditors and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

## Corporate Governance

The company's statement on corporate governance is included in the Corporate Governance report on page 6 of the financial statements.

By order of the Board

**M. L. Morris**  
Company Secretary  
25 May 2016



The Board recognises the value and importance of high standards of corporate governance. Accordingly, whilst the UK Corporate Governance Code does not apply to AIM companies, the Board intends to observe the requirements of the Corporate Governance Code for small and mid-size companies (“the Code”) published by the Quoted Companies Alliance to the extent that they consider appropriate in light of the Group’s size and resources.

### The Board

The Board meets formally on a monthly basis and special meetings are convened to discuss matters that require urgent consideration. In view of the size of the group and the close involvement of the directors, informal meetings take place frequently. Accordingly, a register of all meetings has not been kept with which to record attendances. There is a Schedule of Matters specifically reserved for the Board’s decision. There is also an established 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 and the company maintains directors’ and officers’ liability insurance.

The Board comprises the following:

J. R. Waterhouse	–	Executive Chairman*
D. S. Slingsby	–	Operations Director*
M. L. Morris	–	Financial Director and Company Secretary

\* Member of both Audit and Remuneration Committees

### 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 (“AGM”) to communicate with private investors. The directors are available to answer questions raised by shareholders at the AGM. The level of proxies lodged on each AGM resolution and the numbers for, against and withheld for each resolution are declared by the Chairman after the resolution has been dealt with on a show of hands.

### Internal Controls

The Board acknowledges that it is responsible for the group’s system of Internal Control and for reviewing its effectiveness.

Reflecting the size of the group, 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 such as those highlighted in the business review 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.

By order of the Board

**M. L. Morris**  
Company Secretary  
25 May 2016



The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**M. L. Morris**  
Company Secretary  
25 May 2016

## Report on the financial statements

### Our opinion

In our opinion:

- H C Slingsby plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2015 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Annual Report & Accounts (the "Annual Report"), comprise:

- the consolidated and company balance sheets as at 31 December 2015;
- the consolidated income statement and statement of consolidated comprehensive income and expense for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the statement of consolidated and company changes in shareholders' equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Statement by the Chairman, Strategic Report and the Report of the Directors' for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Other matters in which we are required to report by exception

### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statement and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Randal Casson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds

25 May 2016

## Consolidated Income Statement

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Revenue</b>		<b>17,061</b>	12,587
Cost of sales		<u>(10,812)</u>	<u>(7,549)</u>
<b>Gross profit</b>		<b>6,249</b>	5,038
Distribution costs		<b>(3,566)</b>	(2,726)
Administrative expenses		<u>(2,974)</u>	<u>(2,413)</u>
<b>Operating (loss)/profit before exceptional item</b>		<b>(10)</b>	92
Exceptional item	3	<b>(281)</b>	(193)
Operating loss	6	<b>(291)</b>	(101)
Finance income	7	<b>1</b>	7
Finance costs	8	<u>(342)</u>	<u>(359)</u>
<b>Loss before taxation</b>		<b>(632)</b>	(453)
Taxation	9	<b>194</b>	154
<b>Loss for the year attributable to owners of the parent</b>		<u><b>(438)</b></u>	<u>(299)</u>
<b>Basic and diluted loss per share</b>	10	<u><b>(43.8p)</b></u>	<u>(29.9p)</u>

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Loss for the year		(438)	(299)
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of post-employment benefit obligations	24	242	(583)
Movement in deferred tax relating to retirement benefit obligation	16	(213)	116
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange adjustment		(13)	(17)
Other comprehensive income/(expense)		16	(484)
Total comprehensive expense for the year attributable to equity shareholders		(422)	(783)

## Statements of Consolidated and Company Changes in Shareholders' Equity

For the year ended 31 December 2015

Group	Note	Share capital £'000	Retained earnings £'000	Translation reserve £'000	Total equity £'000
1 January 2014		250	3,417	21	3,688
Loss for the year		–	(299)	–	(299)
Other comprehensive expense for the year		–	(467)	(17)	(484)
Total comprehensive expense for the year		–	(766)	(17)	(783)
Dividends paid	12	–	(120)	–	(120)
1 January 2015		250	2,531	4	2,785
Loss for the year		–	(438)	–	(438)
Other comprehensive income/(expense) for the year		–	29	(13)	16
Total comprehensive expense for the year		–	(409)	(13)	(422)
Dividends paid	12	–	(60)	–	(60)
<b>31 December 2015</b>		<b>250</b>	<b>2,062</b>	<b>(9)</b>	<b>2,303</b>

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

Company	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
1 January 2014		250	3,181	3,431
Loss for the year		–	(286)	(286)
Other comprehensive expense for the year		–	(467)	(467)
Total comprehensive expense for the year		–	(753)	(753)
Dividends paid	12	–	(120)	(120)
1 January 2015		250	2,308	2,558
Loss for the year		–	(447)	(447)
Other comprehensive income for the year		–	29	29
Total comprehensive expense for the year		–	(418)	(418)
Dividends paid	12	–	(60)	(60)
<b>31 December 2015</b>		<b>250</b>	<b>1,830</b>	<b>2,080</b>

As at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	6,102	5,952
Intangible assets	14	1,279	473
Goodwill	14	2,409	-
Deferred tax asset	16	1,446	1,694
		<u>11,236</u>	<u>8,119</u>
<b>Current assets</b>			
Inventories	17	1,778	1,951
Trade and other receivables	18	2,340	1,840
Derivative financial asset	20	11	4
Cash and cash equivalents		192	1,940
Current tax asset		-	88
		<u>4,321</u>	<u>5,823</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	(4,653)	(2,083)
Finance lease obligations	21	(44)	-
		<u>(4,697)</u>	<u>(2,083)</u>
<b>Net current (liabilities)/assets</b>			
		<u>(376)</u>	<u>3,740</u>
<b>Non-current liabilities</b>			
Finance lease obligations	21	(66)	-
Retirement benefit obligation	24	(8,033)	(8,471)
Deferred tax liabilities	16	(458)	(603)
		<u>2,303</u>	<u>2,785</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Share capital	25	250	250
Retained earnings		2,062	2,531
Translation reserve		(9)	4
<b>Total equity</b>		<u>2,303</u>	<u>2,785</u>

The financial statements on pages 10 to 35 were approved by the Board of Directors on 25 May 2016 and were signed on its behalf by:

D. S. Slingsby  
Director

M. L. Morris  
Director

H C Slingsby plc  
Registered Number: 452716



# Company Balance Sheet

As at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	5,877	5,952
Intangible assets	14	352	473
Investments in subsidiaries	15	4,001	–
Deferred tax asset	16	1,446	1,694
		<u>11,676</u>	<u>8,119</u>
<b>Current assets</b>			
Inventories	17	1,731	1,951
Trade and other receivables	18	1,876	1,844
Cash and cash equivalents		62	1,691
Derivative financial asset	20	11	4
Current tax asset		-	88
		<u>3,680</u>	<u>5,578</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	(4,690)	(2,059)
Finance lease obligations	21	(44)	-
		<u>(4,734)</u>	<u>(2,059)</u>
<b>Net current (liabilities)/assets</b>			
		<u>(1,054)</u>	<u>3,519</u>
<b>Non-current liabilities</b>			
Finance lease obligations	21	(66)	-
Retirement benefit obligation	24	(8,033)	(8,471)
Deferred tax liabilities	16	(443)	(609)
		<u>2,080</u>	<u>2,558</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Share capital	25	250	250
Retained earnings		1,830	2,308
<b>Total equity</b>		<u>2,080</u>	<u>2,558</u>

The financial statements on pages 10 to 35 were approved by the Board of Directors on 25 May 2016 and were signed on its behalf by:

D. S. Slingsby  
Director

M. L. Morris  
Director

H C Slingsby plc  
Registered Number: 452716

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations		171	(169)
Interest payable		(38)	-
UK corporation tax received		93	28
<b>Cash generated from/(used in) operating activities</b>		<b>226</b>	<b>(141)</b>
<b>Cash flows from investing activities</b>			
Interest received		1	15
Purchase of property, plant and equipment	13	(198)	(112)
Acquisition of subsidiary (net of cash acquired)	28	(3,585)	-
Proceeds from sales of property, plant and equipment		112	25
Purchase of intangible assets	14	(26)	(35)
<b>Net cash used in investing activities</b>		<b>(3,696)</b>	<b>(107)</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid	12	(60)	(120)
Capital element of finance lease payments		(20)	-
New finance leases		130	-
Proceeds from borrowings		1,202	-
<b>Net cash generated from / (used in) financing activities</b>		<b>1,252</b>	<b>(120)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,218)</b>	<b>(368)</b>
Opening cash and cash equivalents		1,940	2,325
Exchange differences		(13)	(17)
<b>Closing cash and cash equivalents</b>		<b>(291)</b>	<b>1,940</b>

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Cash and cash equivalents</b>				
Cash	192	1,940	62	1,691
Overdraft	(483)	-	(483)	-
	<b>(291)</b>	1,940	<b>(421)</b>	1,691

## Company Cash Flow Statement

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>			
Cash generated from / (used in) operations		597	(158)
Interest payable		(38)	-
UK corporation tax received		137	28
<b>Cash generated from / (used in) operating activities</b>		<b>696</b>	<b>(130)</b>
<b>Cash flows from investing activities</b>			
Interest received		1	15
Purchase of property, plant and equipment	13	(176)	(112)
Acquisition of subsidiary		(3,971)	-
Proceeds from sales of property, plant and equipment		112	25
Purchase of intangible assets	14	(26)	(35)
<b>Net cash used in investing activities</b>		<b>(4,060)</b>	<b>(107)</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid	12	(60)	(120)
Capital element of finance leases payments		(20)	-
New finance leases		130	-
Proceeds from borrowings		1,202	-
<b>Net cash generated from / (used in) financing activities</b>		<b>1,252</b>	<b>(120)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,112)</b>	<b>(357)</b>
Opening cash and cash equivalents		1,691	2,048
<b>Closing cash and cash equivalents</b>		<b>(421)</b>	<b>1,691</b>

## Note to the Cash Flow Statements

For the year ended 31 December 2015

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Cash generated from/(used in) operating activities</b>				
Loss before tax	(632)	(453)	(628)	(436)
Net finance costs	341	352	342	352
Depreciation and amortisation	530	424	382	424
Profit on sale of property, plant and equipment	(99)	(7)	(99)	(7)
Pension deficit contributions	(500)	(540)	(500)	(540)
Decrease/(increase) in inventories	232	(53)	220	(53)
Decrease/(increase) in trade and other receivables	29	549	(37)	546
Increase/(Decrease) in trade and other payables	270	(441)	917	(444)
<b>Cash generated from/(used in) operating activities</b>	<b>171</b>	<b>(169)</b>	<b>597</b>	<b>(158)</b>

## 1. Accounting Policies

### Basis of Preparation

The principal accounting policies adopted in the preparation of these financial statements, which have been applied consistently to all years presented, are set out below.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRS Interpretations Committee (IFRSIC) interpretations as adopted by the EU and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared under the historical cost convention on a going concern basis, except for derivative financial instruments which are measured at fair value through profit or loss.

Despite the loss for the year and net current liabilities as at 31 December 2015, the directors consider that the going concern basis is appropriate given the Group's borrowing facilities are adequate to cover the reasonably foreseeable future.

### Accounting Developments

#### Impact of new International Financial Reporting Standards

The group has not adopted any new or amended IFRSs as of 1 January 2015 that have had a material impact on the amounts reported.

A number of new amendments have been issued but are not effective until 1 January 2016 and have not been early adopted. The impact of these new standards and amendments will be assessed in detail prior to adoption, however at this stage the Directors do not anticipate them to have a material impact on the Group.

### Basis of Consolidation

The financial statements of the group consolidate the financial statements of H C Slingsby plc and its subsidiaries undertakings up to 31 December 2015 using acquisition accounting. Subsidiaries are entities over which the group has the power to govern the financial and operating policies. The results of subsidiary undertakings acquired during a financial period are included from the effective date of acquisition. Intra-Group sales, Intra-Group balances and Intra-Group profits are eliminated fully on consolidation, and consistent accounting policies have been adopted across the group.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values for the assets transferred and the liabilities incurred to the former owners of the acquired. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

### Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

### Accounting Estimates and Judgements

The preparation of these financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue during the reporting year. Actual results could materially differ from these estimates.

Key sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting year are:

- Assumptions used in the calculation of the defined benefit pension scheme liability (note 24); and
- Allowances against the valuation of inventories (note 17).
- Key judgements applied are in respect of:
  - Adoption of going concern basis (see Report of the Directors); and
  - Non-impairment of fixed assets based on expected future performance of the business
- Recognition of intangibles in respect of business combinations (see note 28).

### Revenue and Recognition of Income

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the goods are dispatched to the customer.

### Employee Benefits

The group operates a defined benefit and a defined contribution pension scheme for its employees.

Defined benefit scheme: The pension liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme assets. The defined benefit obligation is calculated tri-annually by independent actuaries using the projected unit method and this valuation is updated at each balance sheet date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Past service costs are recognised immediately in income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the statement of comprehensive income in the period in which they arise.

Defined contribution scheme: contributions payable are charged to the income statement in the accounting year in which they are incurred. The group has no further payment obligations once the contributions have been paid to this scheme.

### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

### Foreign Currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment which the entity operates (the financial currency). The consolidated financial statements are presented in GBP which is the group's presentation currency.

Foreign currency transactions are translated using exchange rates prevailing at the date of the transactions, or, where forward currency contracts have been taken out, at contractual rates. Per IAS 21 assets and liabilities are translated at exchange rates ruling at the end of each financial year. Gains and losses on retranslation are recognised in the income statement.

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at the exchange rates ruling at the end of the financial year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies and from the translation of the results of those companies at average rates are recognised as a separate component of equity and are reported in the statement of comprehensive income.

### Property, Plant and Equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and any provision for impairment. Cost comprises purchase cost together with any incidental costs of acquisition. Depreciation is provided to write off the cost less the estimated residual value of the property, plant and equipment by equal instalments over their estimated useful economic lives. The asset's residual values and useful economic lives are reviewed, and adjusted as appropriate, at each balance sheet date. The following rates are applied:

Freehold buildings	–	2% per annum
Short leasehold property	--	10% per annum
Equipment	–	10% – 33% per annum

Freehold land is not depreciated.

### Intangible Assets

Intangible assets are stated at cost less accumulated amortisation. They are recognised if it is possible that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset. The assets are amortised over the period which the group expects to benefit from these assets. Provision is made for any impairment in value if applicable.

IT software costs are amortised on a straight-line basis at a rate of 33% per annum.

Brand and domain names and customer lists are amortised on a straight line basis at 5% to 33%.

### Goodwill

Goodwill arising on acquisitions comprises the excess of the fair value of the consideration for investments in subsidiary undertakings over the fair value of the net identifiable assets acquired at the date of the acquisition. Goodwill arising on acquisitions is included in intangible assets.

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest level within the Group at which the associated level of goodwill is monitored for management purposes and are not larger than the operating segments determined in accordance with IFRS8 "Operating Segments".

**Impairment of non-financial assets**

Assets not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

**Investments**

Investments are stated at cost, less provision for impairment where necessary.

**Deferred Taxation**

Deferred taxation is recognised, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred taxation is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the balance sheet date, and are expected to apply when the related deferred taxation asset is realised or deferred taxation liability is settled.

Deferred taxation assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

**Inventories**

Inventories which include raw materials and work in progress, finished goods and goods for resale are stated at the lower of cost and net realisable value. Raw materials are valued on a first in-first out basis. The cost of work in progress and finished goods includes an appropriate proportion of production overheads.

Net realisable value is based on estimated selling price less additional costs to completion or disposal. Allowance is made for obsolete, defective and slow-moving items based on annual usage.

**Trade and Other Receivables**

Trade and other receivables are initially recognised at fair value and subsequently held at amortised cost less provision for impairment. Provisions are made for the difference between the asset's carrying amount and the present value of estimated future cash flows. Subsequent recoveries of amounts previously written off are credited to the Income Statement.

**Trade Catalogues**

Expenditure relating to the production and distribution of the main catalogue and supplementary mailings is written off in the financial statements in the year when the catalogue is produced.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**Trade Payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Derivative Financial Instruments**

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The resulting gain or loss is recognised directly in the income statement. The group does not apply hedge accounting in respect of its financial instruments, nor does it trade in any financial instruments.

**Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**Dividends**

Dividends proposed by the board are recognised in the financial statements when they have been approved by shareholders. Interim dividends are recognised when they are paid.

**Current Taxation**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items that are not taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The tax expense for the year comprises current and deferred tax that is recognised in the Income Statement, except that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

**2. Segmental Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The group only has one business segment, which is its principal activity, being the merchandising and distribution of industrial and commercial equipment. All of the group's revenue, (losses)/profits, assets and liabilities are wholly attributable to that business segment. The operations of the group are based in the UK and the Republic of Ireland. The Republic of Ireland operation makes up less than 10% of the group's revenue and assets.

**3. Exceptional Item**

	2015 £'000	2014 £'000
Redundancy and compensation costs	88	193
Acquisition of ESE	193	-
	<u>281</u>	<u>193</u>

Costs relating to the acquisition of ESE relate to legal, accounting and advisory services together with bank facility costs.

**4. Employee Information**

	2015 £'000	2014 £'000
Staff costs for the company during year:		
Wages and salaries	2,771	2,166
Social security costs	244	208
Other pension costs (note 24)	167	167
	<u>3,182</u>	<u>2,541</u>

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

	2015 Number	2014 Number
Selling and distribution	82	54
Manufacturing	-	8
Administration	30	23
	<u>112</u>	<u>85</u>

**5. Directors' Remuneration**

	2015 £'000	2014 £'000
Aggregate emoluments	411	503
Company contributions to money purchase pension scheme	19	19
	<u>430</u>	<u>522</u>
Highest paid director:		
Aggregate emoluments	130	127
Defined benefit scheme accrued pension at end of year	86	85

Four directors have accrued benefits under a deferred benefit scheme (2014: four). One director accrues benefits under a defined contribution pension scheme (2014: one).

Payments in respect of compensation for loss of office totalled £80,000 and are not included above.



**6. Operating Loss**

Operating loss is stated after charging/(crediting):

	2015 £'000	2014 £'000
Profit on disposal of property, plant and equipment	(99)	(7)
Depreciation on property, plant and equipment	308	268
Amortisation of intangible asset	222	156
Operating lease charges		
– land and buildings	36	9
– other	4	7
Foreign exchange losses on operating activities	13	18

**Services provided by the company's auditors**

Fees payable to the company's auditors for the audit of parent company and consolidated financial statements	40	42
Fees payable to the company's auditors for other services:		
Other audit services pursuant to legislation:		
The audit of Company's subsidiaries pursuant to legislation	7	6
Other services pursuant to legislation:		
Tax services – Compliance	10	7
Advisory	1	19
<b>Total fees payable to company's auditors</b>	<b>58</b>	<b>74</b>

**7. Finance Income**

	2015 £'000	2014 £'000
Bank interest receivable	1	7

**8. Finance Costs**

	2015 £'000	2014 £'000
Interest payable on bank borrowings	36	-
Interest payable on finance lease liabilities	2	-
Net retirement benefit obligation finance costs (note 24)	304	359
	<b>342</b>	<b>359</b>

**9. Taxation**

	2015 £'000	2014 £'000
<b>Current year</b>		
UK corporation tax:		
– current year	-	-
– adjustments in respect of prior years	(49)	(89)
	<b>(49)</b>	<b>(89)</b>
<b>Deferred tax:</b>		
UK deferred tax:		
– origination and reversal of timing differences	(115)	(79)
– adjustments in respect of prior years	(30)	14
	<b>(145)</b>	<b>(65)</b>
<b>Total taxation credit</b>	<b>(194)</b>	<b>(154)</b>

**9. Taxation (continued)**

Factors affecting the tax credit for the year:

The tax on the company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

	2015 £'000	2014 £'000
Loss before taxation	<b>(632)</b>	(453)
Tax at the UK corporation tax rate of 20.25% (2014: 21.5%)	<b>(128)</b>	(96)
Expenses not deductible for tax purposes	<b>13</b>	17
Adjustments to tax in respect of prior years		
– current year	<b>(49)</b>	(89)
– deferred tax	<b>(30)</b>	14
Tax credit for the year	<b>(194)</b>	(154)

The standard rate of tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's losses for this accounting period are taxed at an effective rate of 20.25%. Deferred tax assets and liabilities are measured at a rate of 18% as at 31 December 2015.

A change to the UK corporation tax rate was announced on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

**10. Loss Per Share**

Basic loss per share is based upon a loss of £438,000 (2014: £299,000) and on 1,000,000 (2014: 1,000,000) ordinary shares in issue during the year.

There is no difference between basic loss per share and diluted loss per share for both years as there are no potentially dilutive shares in issue.

**11. Loss for the Financial Year**

As permitted by Section 408 of the Companies Act 2006, the company has not published its own income statement. The result of the company for the financial year was a loss of £447,000 (2014: £286,000).

**12. Dividends**

	2015 £'000	2014 £'000
Interim dividend paid for the 2014 financial year of 2.0p (2013: 2.0p)	<b>20</b>	20
Final dividend paid for the 2014 financial year of 4.0p (2013: 10.0p)	<b>40</b>	100
	<b>60</b>	120

No dividends are proposed for the 2015 financial year as set out in the Report of the Directors.

**13. Property, Plant and Equipment**

Group	Short Leasehold Property £'000	Freehold land and buildings £'000	Equipment £'000	Total £'000
<b>Cost</b>				
1 January 2014	-	6,594	2,300	8,894
Additions	-	71	36	107
Disposals	-	-	(107)	(107)
1 January 2015	-	6,665	2,229	8,894
Additions	5	-	193	198
Acquisition of subsidiary (note 28)	114	-	313	427
Disposals	-	-	(330)	(330)
<b>31 December 2015</b>	<b>119</b>	<b>6,665</b>	<b>2,405</b>	<b>9,189</b>
<b>Accumulated depreciation</b>				
1 January 2014	-	808	1,955	2,763
Charge for the year	-	105	163	268
Disposals	-	-	(89)	(89)
1 January 2015	-	913	2,029	2,942
Acquisition of subsidiary	23	-	131	154
Charge for the year	7	105	196	308
Disposals	-	-	(317)	(317)
<b>31 December 2015</b>	<b>30</b>	<b>1,018</b>	<b>2,039</b>	<b>3,087</b>
<b>Net book amount</b>				
<b>At 31 December 2015</b>	<b>89</b>	<b>5,647</b>	<b>366</b>	<b>6,102</b>
At 31 December 2014	-	5,752	200	5,952
At 31 December 2013	-	5,786	345	6,131

HC Slingsby PLC Retirement Benefits Scheme holds a charge over the company's freehold land and buildings. HSBC Bank plc holds charges over all of the assets and undertakings of the Group.

Equipment includes the following amounts where the group is lessee under finance leases:

	2015 £'000	2014 £'000
Cost of assets subject to finance leases	144	-
Accumulated depreciation	(20)	-
	<b>124</b>	-

The group leases various motor vehicles under non-cancellable finance lease agreements. The assets are leased on a term of 3 years.

**13. Property, Plant and Equipment (continued)**

<b>Company</b>	Freehold land and buildings £'000	Equipment £'000	Total £'000
<b>Cost</b>			
1 January 2014	6,594	2,300	8,894
Additions	71	36	107
Disposals	–	(107)	(107)
1 January 2015	6,665	2,229	8,894
Additions	–	174	174
Disposals	–	(330)	(330)
<b>31 December 2015</b>	<b>6,665</b>	<b>2,073</b>	<b>8,738</b>
<b>Accumulated depreciation</b>			
1 January 2014	808	1,955	2,763
Charge for the year	105	163	268
Disposals	–	(89)	(89)
1 January 2015	913	2,029	2,942
Charge for the year	105	131	236
Disposals	–	(317)	(317)
<b>31 December 2015</b>	<b>1,018</b>	<b>1,843</b>	<b>2,861</b>
<b>Net book amount</b>			
<b>At 31 December 2015</b>	<b>5,647</b>	<b>230</b>	<b>5,877</b>
At 31 December 2014	5,752	200	5,952
At 31 December 2013	5,786	345	6,131

Depreciation is charged to administrative expenses in the Income Statement.

## 14. Intangible Assets

	Group		Group		Company
	Goodwill	Brand and Domain Names and Customer Lists	IT Software and trademarks	TOTAL	IT Software
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
1 January 2014	--	--	776	776	776
Additions	--	--	35	35	35
Disposals	--	--	(36)	(36)	(36)
1 January 2015	--	--	775	775	775
Additions – Acquisition of subsidiary (note 28)	2,409	1,000	30	1,030	25
<b>31 December 2015</b>	<b>2,409</b>	<b>1,000</b>	<b>805</b>	<b>1,805</b>	<b>800</b>
<b>Accumulated amortisation</b>					
1 January 2014	--	--	182	182	182
Charge for the year	--	--	156	156	156
Disposals	--	--	(36)	(36)	(36)
1 January 2015	--	--	302	302	302
Charge for the year	--	75	147	222	146
Acquisition of subsidiary (note 28)	--	--	2	2	-
Disposals	--	--	--	--	--
<b>31 December 2015</b>	<b>--</b>	<b>75</b>	<b>451</b>	<b>526</b>	<b>448</b>
<b>Net book amount</b>					
<b>At 31 December 2015</b>	<b>2,409</b>	<b>925</b>	<b>354</b>	<b>1,279</b>	<b>352</b>
At 31 December 2014	--	--	473	473	473
At 31 December 2013	--	--	594	594	594

Amortisation is charged to administrative expenses in the Income Statement.

Goodwill relates to the ESE Direct Limited cash generating unit (see note 28).

### 15. Investment in Subsidiary

Wholly owned subsidiary, Slingsby Mail Order Limited, is incorporated in the Republic of Ireland. The results are fully consolidated in the group financial statements. Its principal activity is the merchandising of materials handling and distribution equipment. The company owns 100% of its €1 ordinary share capital. The carrying value of this investment is considered impaired and has been fully provided against.

On 27 March 2015 the Company acquired 100% of the issued share capital of ESE Direct Limited. The cost and carrying value of this investment is £4m which the Directors believe is supported by the underlying net assets and their future cash generation.

The Company directly owns 100% of the issued share capital of the following subsidiary undertakings, registered in England and Wales except for Slingsby Mail Order Limited which is registered in the Republic of Ireland.

Company	Business Activity
Slingsby Mail Order Limited	Distribution of Industrial and Commercial Equipment
ESE Direct Limited	Distribution of Industrial and Commercial Equipment
Eastern Storage Limited	Dormant
ESE Projects Limited	Dormant
Eastern Storage Equipment Limited	Dormant
Slingsby Trading Post Limited	Dormant
Slingsby Manufacturing Limited	Dormant
Slingsby Metro Equipment Limited	Dormant

### 16. Deferred Tax

The deferred tax balances in these financial statements are attributable to the following:

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Deferred tax asset</b>				
Pension liability	<u>1,446</u>	<u>1,694</u>	<u>1,446</u>	<u>1,694</u>
<b>Deferred tax liabilities</b>				
Short term timing differences	(291)	(418)	(276)	(424)
Rolled over capital gain	(167)	(185)	(167)	(185)
	<u>(458)</u>	<u>(603)</u>	<u>(443)</u>	<u>(609)</u>

The deferred tax asset relates to the deficit on the company's defined benefit pension scheme. The company is making payments into this scheme to reduce the deficit and the corresponding asset will reduce in line with these reductions. As movements in the pension deficit arise from changes in actuarial assumptions as well as from deficit reduction payments (see note 24), it is difficult to forecast the movement in the related deferred tax asset.

Movements in deferred tax assets/(liabilities) are as follows:

Group	Pension liability	Short term timing differences	Rolled over capital gain	Total
	£'000	£'000	£'000	£'000
1 January 2014	1,614	(519)	(185)	910
(Charged)/credited to income statement	(36)	101	--	65
Credited to equity	116	--	--	116
1 January 2015 – Group and Company	<u>1,694</u>	<u>(418)</u>	<u>(185)</u>	<u>1,091</u>
Acquired on acquisition (note 28)	-	(35)	-	(35)
(Charged)/credited to income statement	(35)	162	18	145
Charged to equity	(213)	--	--	(213)
<b>31 December 2015</b>	<u>1,446</u>	<u>(291)</u>	<u>(167)</u>	<u>988</u>

**16. Deferred Tax (continued)**

Company	Pension	Short term	Rolled over	Total
	liability	timing	capital gain	
	£'000	£'000	£'000	£'000
1 January 2014	1,614	(519)	(185)	910
(Charged)/credited to income statement	(36)	95	--	59
Credited to equity	116	--	--	116
1 January 2015	1,694	(424)	(185)	1,085
(Charged)/credited to income statement	(35)	148	18	131
Charged to equity	(213)	--	--	(213)
<b>31 December 2015</b>	<b>1,446</b>	<b>(276)</b>	<b>(167)</b>	<b>1,003</b>

**17. Inventories**

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Raw materials and work in progress	575	575	575	575
Finished goods and goods for resale	215	198	168	198
	1,563	1,753	1,563	1,753
	1,778	1,951	1,731	1,951

Inventories are presented net of provisions for write-downs, based on management's estimate of net realisable value. The amount (credited)/charged to the income statement in respect of write-downs of inventories was (£24,000), (2014: £11,000). The cost of inventories recognised as an expense and included in the group's cost of sales was £10,561,000 (2014: £7,159,000) and £6,802,000 (2014: £6,790,000) for the company. The provision for obsolete stock at the year end is £387,000 (2014: £411,000).

**18. Trade and Other Receivables**

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade receivables	2,013	1,626	1,642	1,590
Receivables from subsidiary	--	--	13	43
Prepayments	327	214	221	211
	2,340	1,840	1,876	1,844

Trade and other receivables are non-interest bearing. There is no material difference between the carrying amount and the fair value of trade and other receivables.

Trade receivables are presented net of provision for doubtful trade receivables. Provisions are estimated by management based on past default experience and other factors as considered appropriate. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. Movements on the group and company provisions for impairment of trade receivables are:

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1 January 2015	16	18	16	18
Provision made for impaired receivables	19	19	19	19
Unused provision reversed	(10)	(9)	(10)	(9)
Receivables written off during the year as uncollectable	(7)	(12)	(7)	(12)
<b>At 31 December 2015</b>	<b>18</b>	<b>16</b>	<b>18</b>	<b>16</b>

Receivables due from subsidiary were not impaired at 31 December 2015 and 31 December 2014.



**18. Trade and Other Receivables (continued)**

At 31 December 2015 group trade receivables of £18,000 (2014: £16,000) and company trade receivables of £18,000 (2014: £16,000) were impaired. The amount of provision is the full gross amount due. The receivables are considered to be impaired as they have either been disputed by the respective customers or the customers are in financial difficulty. The ageing of these receivables is as follows:

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Up to three months over terms	-	2	-	2
Over three months over terms	<b>18</b>	14	<b>18</b>	14
	<b>18</b>	16	<b>18</b>	16

At 31 December 2015 group trade receivables of £866,000 (2014: £768,000) and company trade receivables of £835,000 (2014: £750,000) were past due but not impaired. Overdue receivables against which no provision has been made relate to customers for whom there is no recent history of default or any other indication that settlement will not be forthcoming. The ageing of these receivables is as follows:

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Up to three months over terms	<b>840</b>	734	<b>724</b>	716
Over three months over terms	<b>26</b>	34	<b>26</b>	34
	<b>866</b>	768	<b>750</b>	750

Receivables that are neither past due nor impaired are within credit limits for the respective customer and the directors are not aware of any reasons that indicate the amounts due are disputed or not collectable. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable shown above. The group does not hold any collateral as security.

The carrying amounts of the group's and company's receivables are denominated in the following currencies:

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Pound sterling	<b>2,278</b>	1,801	<b>1,876</b>	1,844
Euro	<b>62</b>	39	-	-
	<b>2,340</b>	1,840	<b>1,876</b>	1,844

**19. Trade and Other Payables**

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade payables	<b>2,248</b>	1,670	<b>1,768</b>	1,664
Payables to subsidiary	-	-	<b>822</b>	-
Other taxation and social security payable	<b>338</b>	230	<b>236</b>	219
Other payables	<b>12</b>	12	<b>12</b>	12
Accruals	<b>370</b>	171	<b>167</b>	164
Debt financing and overdraft	<b>1,685</b>	-	<b>1,685</b>	-
	<b>4,653</b>	2,083	<b>4,690</b>	2,059

Trade and other payables are non-interest bearing. There is no material difference between the carrying amount and the fair value of trade and other payables.

The Group's debtor finance and overdraft facilities (provided by HSBC Bank plc) carry interest rates of 2.1% and 2.55%-4% above the prevailing Bank of England Base Rate respectively. The Group's overdraft facility is due for renewal on 18 December 2016. The Group debtor finance facility is a total of £3m and the overdraft facility is the sum of £750,000.

**20. Derivative Financial Instruments**

	Assets		Liabilities	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Forward foreign currency contracts and options	11	4	-	--

Gains and losses on the carrying value of forward foreign currency contract assets and liabilities are recognised in the income statement. The forward foreign currency contracts existing at the year end mature in 2015. They have been valued using year end market data.

**21. Borrowings**

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Finance Leases</b>				
The future minimum finance lease payments are as follows:				
Not later than one year	48	-	48	-
Later than one year and not later than five years	73	-	73	-
Total gross payments	121	-	121	-
Impact of finance charges	(11)	-	(11)	-
Carrying value of liability	110	-	110	-

The finance lease liabilities relate to motor vehicles leased on a term of 3 years.

**22. Financial Risk Management**

In the normal course of business the group and company is exposed to certain financial risks, principally foreign exchange risk, interest rate risk, liquidity risk and credit risk.

**Foreign Exchange Risk**

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

**Interest Rate Risk**

The group's and company's exposure to interest rate risk arises on its debtor finance and overdraft facilities. These are based on floating rates of interest. Accordingly should interest rates increase, the group and company's interest cost would rise. The group does not use interest rate hedges.

**Liquidity Risk**

In the normal course of business the group and company is exposed to liquidity risk. The objective is to ensure that sufficient resources are available to fund short term working capital and longer term strategic requirements. This is achieved through ensuring that the group has sufficient cash and borrowing facilities in place.

**Credit Risk**

Credit risk principally arises on cash deposits and trade receivables. The credit risk arising on cash deposits is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies. The credit risk arising on trade receivables is spread over large numbers of customers. There are no significant concentrations of credit risk.

**Sensitivity Analysis**

There is not expected to be a material impact on reported results and the balance sheet relating to the above risks.

**23. Capital Risk Management**

The capital structure of the group consists of cash, equity, debtor finance and overdraft. The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost capital. In order to maintain the capital structure the group may adjust the amount of dividends paid to shareholders. This situation is monitored using budgets and by calculation of a gearing ratio (debtor financing and overdraft less cash/net assets). At 31 December 2015, the gearing ratio was 65% (2014: nil).

### 24. Pension Commitments

#### Group and Company

#### Retirement Benefit Obligations

At 31 December 2015 H C Slingsby plc ("the Company") operated pension schemes for the benefit of its employees. The schemes are provided through both defined benefit and defined contribution arrangements. This disclosure is concerned only with the defined benefit arrangement, the H C Slingsby plc Retirement Benefits Scheme ("the Scheme"). The liability associated with the Scheme is material to the Company.

The Company's objective is for the Scheme to target 100% funding on a basis that should ensure that benefits can be paid as they fall due.

Any shortfall in the assets directly held by the Scheme, relative to its funding target, will be financed over a period that ensures the contributions are reasonably affordable to the Company. The expected contribution to the Scheme over the 2016 fiscal year is £540,000 (plus administration and other expenses). The defined benefit scheme was closed to new entrants in 2006 and to future accrual in 2009.

#### Nature of Scheme

The Scheme targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" plan). The pension receives inflation-linked increases in the years before retirement. Once in payment, pensions either do not increase or increase in line with inflation or a fixed rate. The Scheme was closed to future accrual in 2009.

It is governed by a Board of Trustees (the "Trustee Board") that has control over its operation, funding and investment strategy. The Trustee Board is chaired by an independent representative Richard Sacre and composed of nominees of elected Scheme members. The Trustee Board will consult with the Company on certain matters.

#### Funding the liabilities

UK legislation requires the Trustee Board to carry out valuations at least every three years and to target full funding against a basis that prudently reflects the Scheme's risk exposure. The most recent valuation was carried out as at 1 January 2014 and a shortfall of £7.5m against the Trustee Board's funding objective was identified. The Company agreed to pay annual contributions of £540,000 (£500,000 in 2015) to remove the shortfall over 14 years.

The weighted average duration of the defined benefit obligation is 19.1 years.

#### Investment strategy

Approximately 50% of the Scheme's assets are held in equity type assets, and 50% are held in long term fixed interest and inflation linked securities. Included within the fair value of the Scheme assets are 30,061 of the company's shares, with a fair value of £64,000 as at 31 December 2015.

The Scheme's liabilities are calculated using a discount rate set with reference to corporate bond yields; if Scheme assets underperform this yield, this will increase the deficit. The Scheme holds a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. As the Scheme matures, the expectation is that the Trustee Board would reduce the level of investment risk by investing more in assets that better match the liabilities. In essence this would see a gradual sale of equities and the purchase of gilts and corporate bonds. The company is of the view that, due to the long term nature of the Scheme's liabilities, it is appropriate to continue with a degree of equity investment so as to manage the Scheme's long term liabilities efficiently.

The Trustee Board has derived its investment strategy, in consultation with the company, so as to reflect the Scheme's long term liabilities. At the current time approximately 50% of the Scheme's assets are invested in long term fixed interest and inflation linked securities of a duration that broadly matches the duration of benefit payments. The balance is invested in a diversified portfolio of global equity type assets. Both the Trustee Board and the company believe that equities offer the best returns over the long term with an acceptable level of risk. The Scheme's investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

It should be noted that the Trustee Board has sole responsibility for setting the investment strategy for the Scheme, albeit the company is consulted over any change to investment strategy. The processes used to manage risks within the Scheme have not changed from previous periods. Derivatives are not used to manage risks within the Scheme.

#### Other risks

Actions taken by the local regulator, or changes to European legislation, could result in stronger local funding standards, which could materially affect the company's cash flow.

There is a risk that changes in the assumptions for discount rate, price inflation or life expectancy could result in an increase in the deficit in the Scheme. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

**24. Pension Commitments (continued)****Winding up**

Although currently there are no plans to do so, with the company's approval, the Trustees could choose to wind up the Scheme in which case the benefits would have to be bought out with an insurance company. The cost of buying-out benefits would be significantly more than the defined benefit obligation calculated in accordance with IAS 19 (revised).

The measurement of the company's net defined benefit liability is particularly sensitive to changes in certain key assumptions, which are:

<b>Discount rate</b>	This has been selected following actuarial advice received, taking into account the duration of the liabilities. An increase or decrease in the discount rate of 0.25% would result in a decrease or increase of approximately £1m in the present value of the defined benefit obligation.
<b>Inflation</b>	The methodology used to derive the assumption adopted is consistent with discount rate methodology. An increase or decrease in the inflation rate of 0.25% would result in an increase or decrease of approximately £0.9m in the present value of the defined benefit obligation.
<b>Mortality rates</b>	The mortality assumptions adopted are based on actuarial advice received and reflect the most recent information as appropriate. The assumptions used indicate that the future life expectancy of a male (female) pensioner reaching age 65 in 2015 would be 22 (24.4) years and the future life expectancy from age 65 for a male (female) non-pensioner member currently aged 45 of 23.8 (26.3) years.  The increase or decrease in the present value of the defined benefit obligation due to a member living one year longer, or one year less, would be approximately £0.7m.

The methods used to carry out the sensitivity analyses presented above for the material assumptions are the same as those the company has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remained the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another.

**Year ended 31 December 2015**

The company's policy is to recognise actuarial gains and losses immediately in full each year. The company operates a scheme in the UK with a final salary section. A full actuarial valuation was carried out as at 1 January 2014 and updated to 31 December 2015 by a qualified independent actuary.

**Reconciliation of the present value of the defined benefit obligation**

	2015 £'000	2014 £'000
Present value of defined benefit obligation at beginning of year	22,397	20,649
Interest cost	817	935
Effect of changes in financial assumptions	(582)	1,455
Benefits paid	(639)	(642)
Present value of defined benefit obligation at end of year	<u>21,993</u>	<u>22,397</u>

**Reconciliation of fair value of scheme assets**

	2015 £'000	2014 £'000
Fair value of scheme assets at start of year	13,926	12,580
Interest income	513	576
Return on scheme assets	(340)	872
Contributions by the Company	500	540
Benefits paid	(639)	(642)
Fair value of scheme assets at end of year	<u>13,960</u>	<u>13,926</u>

**24. Pension Commitments (continued)**

**Amounts to be recognised in the balance sheet**

	2015 £'000	2014 £'000
Present value of funded obligation	21,993	22,397
Fair value of scheme assets	<u>(13,960)</u>	<u>(13,926)</u>
Net liability in balance sheet	<u>8,033</u>	<u>8,471</u>

**Amounts to be recognised in the income statement**

	2015 £'000	2014 £'000
Interest on obligation	817	935
Interest income on scheme assets	<u>(513)</u>	<u>(576)</u>
Total expense	<u>304</u>	<u>359</u>

**Total amount recognised in the statement of consolidated income SOCI**

	2015 £'000	2014 £'000
Actuarial (gain)/loss	<u>(242)</u>	<u>583</u>
Actuarial (gain)/loss recognised in SOCI	<u>(242)</u>	<u>583</u>

	2015 £'000	2014 £'000
	316	378
	<u>155</u>	<u>148</u>
	<u>471</u>	<u>526</u>

**Pension cost**

Defined benefit scheme  
Defined contribution scheme

**Scheme assets**

	2015 %	2015 £'000	2014 %	2014 £'000
Equities	50	7,045	57	7,993
Gilts and bonds	<u>50</u>	<u>6,915</u>	43	5,933
Total scheme assets	<u>100</u>	<u>13,960</u>	100	13,926
Expected rate of return on scheme assets		3.9%		3.7%

At 31 December 2015 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The fair value of the scheme as a percentage of total scheme assets and target allocations is set out above.

**Amount of Company related investments included in fair value of assets**

	2015 £'000	2014 £'000
Company's own financial instruments	<u>64</u>	<u>120</u>

**24. Pension Commitments (continued)****Principal actuarial assumptions at the Balance Sheet date:**

The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date. The key financial assumptions are set out below:

	2015	2014
Discount rate	<b>3.90%</b>	3.70%
Long term rate of return on assets	<b>3.90%</b>	3.70%
RPI Inflation	<b>3.10%</b>	3.10%
CPI Inflation	<b>2.10%</b>	2.10%
Pension increases:		
Non-Executive pension accrued before 1 January 1992 (0% fixed)	<b>0.00%</b>	0.00%
Non-Executive pension accrued after 1 January 1992 (RPI max 5%)	<b>3.10%</b>	3.00%
Executive pension accrued before 1 January 1992 (4% fixed)	<b>4.00%</b>	4.00%
Executive pension accrued after 1 January 1992 (RPI min 4%, 5% max)	<b>4.20%</b>	4.20%
Pre and post retirement mortality		
Retiring today:		
Males	<b>87.0</b>	86.9
Females	<b>89.4</b>	89.3
Retiring in 20 years		
Males	<b>88.8</b>	88.7
Females	<b>91.3</b>	91.2
Cash commutation	25% of pension at age 65 at a rate of 13.0:1	25% of pension at age 65 at a rate of 12.5:1

Mortality Assumption; Base mortality table

- Males – standard table SINMA (appropriate to the members' years of birth)
- Females – standard table SINFA (appropriate to the members' years of birth)

A scaling factor of 105% has been applied to the notes under the standard tables. An allowance for future improvements has been made in line with the CMI 2013 Core Regulations assuming a long term annual note of improvement in mortality rates of 1.25% for men and women.

**Defined Contribution Scheme**

The company commenced the operation of a defined contribution scheme on 1 October 2006. Contributions payable by the company to the defined contribution scheme of £148,000 (2014: £148,000) have been charged to operating profit. ESE Direct Limited also provided a defined contribution scheme in respect of certain employees. Contributions payable to that scheme from 1 April 2015 to 31 December 2015 totalled £7,000 and have been charged to operating profit.

**25. Share Capital**

	2015 Number	2015 £'000	2014 Number	2014 £'000
<b>Ordinary shares of 25p</b>				
<b>Authorised</b>				
At 1 January and 31 December	<b>1,200,000</b>	<b>300</b>	1,200,000	300
<b>Allotted, called up and fully paid</b>				
At 1 January and 31 December	<b>1,000,000</b>	<b>250</b>	1,000,000	250

**26. Operating Lease Commitments**

At 31 December 2015, the group had the following outstanding future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015 £'000	2014 £'000
Operating leases commitments:		
– within one year	51	16
– in more than one year but less than five years	148	–
– more than 5 years	72	–
	<hr/>	<hr/>
Operating lease charges recognised in the income statement as shown in note 6.		

**27. Related Party Transactions**

**Key Management**

Key management personnel comprise the group's executive directors. Their remuneration is set out in note 5. Included within directors' remuneration is the amount of £30,345 to Morris and Daughters Limited for the services of Morgan Morris who is a director and shareholder in that company. At 31 December 2015, £1,995 was outstanding.

There were no other transactions with key management.

**Company – Transactions With Subsidiaries**

Sales amounting to £394,000 (2014: £369,000) were made by HC Slingsby plc to Slingsby Mail Order Limited.

Amounts due to Slingsby Mail Order Limited at 31 December 2015 were £122,000 (2014: £nil).

Amounts due from Slingsby Mail Order Limited at 31 December 2015 were £0 (2014: £43,000).

Sales amounting to £78,268 were made by HC Slingsby plc to ESE Direct Limited.

Purchases amounting to £13,654 were made to HC Slingsby plc by ESE Direct Limited.

Amounts due to ESE Direct Limited were £nil in respect of trading activities and £701,000 in respect of an inter-company loan.

Amounts due from ESE Direct Limited were £13,054.

**28. Business Combination**

On 27 March 2015, the Company purchased 100% of the share capital of ESE Direct Limited. Consideration was £4m on condition that ESE had £600,000 of cash surplus to its working capital requirements.

ESE is a profitable company operating in the same sector. The acquisition presents the group with the opportunity to diversify its brand portfolio and achieve economies of scale, particularly in the combined businesses' supply chain.

	£'000
<b>Total Consideration</b>	
Cash paid by Group	3,971
Deferred payment due 31 January 2016	30
	<hr/>
	4,001



**28. Business Combination (continued)**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Book and Fair Value £'000
Short leasehold property	91
Equipment	182
Trademarks	2
Stock	60
Trade receivables	356
Other receivables	879
Cash	386
Trade payables	(662)
Other payables	(624)
Corporation Tax	(43)
Deferred Tax	(35)
Intangible Assets: Brand	250
Intangible Assets: Domain names, Website and Customer List	750
Net Identifiable Assets	<u>1,592</u>
Add: Goodwill	<u>2,409</u>
Total Consideration	<u>4,001</u>

The goodwill is attributable to the profitability of the acquired business. It will not be deductible for tax purposes.

**Revenue and profit contribution**

The acquired business contributed revenue of £4.8m and a profit before tax of £134,000 before management charges (£89,000 after management charges) to the group for the period from 1 April 2015 to 31 December 2015.

If the business had been acquired for the full year, it would have contributed revenue of £6.6m and a profit before tax of £102,000 before management charges (£56,000 after management charges).

Costs relating to the acquisition have been charged to exceptional items in the consolidated income statement for the year ended 31 December 2015.

**Purchase consideration – cash outflow**

	£'000
Cash paid by the Group	(3,971)
Cash balances in ESE on completion (excluding surplus cash)	<u>386</u>
	<u>(3,585)</u>

**Goodwill monitoring**

Goodwill is monitored by management at the Cash Generating Unit ("CGU") level. A CGU is considered to be an individual company. The goodwill recognised on the acquisition of ESE Direct Limited has been tested for impairment using the following assumptions:

- Budgets for the next 5 years
- Extrapolation of expected future cash flows using a terminal growth rate of 2%
- Sales growth of between 4 and 7 %
- Capital expenditure of between £150,000 and £50,000 per annum
- Gross margins projected based on recent trends
- Pre-tax discount rate of 15%

On the above basis, the directors consider that there are no reasonably possible changes to a key assumption which would give rise to an impairment charge.

**29. Subsequent Events**

After the balance sheet date, the company entered into a new overdraft finance facility with HSBC Bank plc totalling £750,000. Under the terms of this facility, the company is to grant HSBC Bank plc a fixed charge over its freehold property.

## Five Year Summary

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
<b>Income Statement</b>					
Turnover	17,061	12,587	13,965	14,588	15,221
Gross profit	6,249	5,038	5,502	6,155	6,779
Operating (loss)/profit before exceptional item	(10)	92	137	489	633
Exceptional item	(281)	(193)	--	129	--
(Loss)/profit before tax	(632)	(453)	(249)	102	422
(Loss)/profit for the financial year	(438)	(299)	(95)	172	320
(Loss)/earnings per share – basic and diluted	<u>(43.8p)</u>	<u>(29.9p)</u>	<u>(9.5p)</u>	<u>17.2p</u>	<u>32.0p</u>
<b>Dividend Per Ordinary Share*:</b>					
– Interim	0.0p	2.0p	2.0p	4.0p	4.0p
– Final	<u>0.0p</u>	<u>4.0p</u>	<u>10.0p</u>	<u>15.0p</u>	<u>28.0p</u>
<b>Cash Flow Statement</b>					
Cash (used in)/generated by operating activities	<u>171</u>	<u>(169)</u>	<u>166</u>	<u>1,041</u>	<u>(81)</u>
<b>Balance Sheet</b>					
Net current (liabilities)/assets	(376)	3,740	4,122	4,808	5,147
Net assets	2,303	2,785	3,688	2,949	4,397
Cash and cash equivalents	<u>192</u>	<u>1,940</u>	<u>2,325</u>	<u>2,836</u>	<u>2,439</u>

\* Dividends per ordinary share are stated in respect of the years to which they relate. This is not the same as the years in which they are recognised in the financial statements.

**Notice is given** that the sixty-eighth Annual General Meeting of H C Slingsby plc (“**the Company**”) will be held at the Marriot Hollins Hall Hotel & Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire BD17 7QW on 30 June 2016 at 10am for the following purposes:

**To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:**

1. To receive the Company’s annual accounts for the financial year ended 31 December 2015 together with the directors’ report and auditor’s report on those accounts.
2. To elect as a Director, Morgan Morris, who was appointed to the Board on 13 February 2015.
3. To re-elect as a Director, John Waterhouse who retires from the Board in accordance with the Company’s articles of association.
4. To re-elect as a Director, Dominic Slingsby who retires from the Board in accordance with the Company’s articles of association.
5. To reappoint PricewaterhouseCoopers LLP as auditors of the Company.
6. To authorise the Directors of the Company to determine the remuneration of the auditors.
7. In substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this Resolution, to authorise the Directors of the Company pursuant to section 551 of the Companies Act 2006 (the “**Act**”) to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act):
  - 7.1 up to an aggregate nominal amount of £25,000; and
  - 7.2 comprising equity securities up to a nominal amount of £125,000 (including within such limit any equity securities issued under paragraph 7.1 above) in connection with an offer by way of a rights issue:
    - (a) to holders of ordinary shares of 25 pence each in the capital of the Company (“**Ordinary Shares**”) in proportion (as nearly as may be practicable) to their existing holdings; and
    - (b) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any matter.

The authority granted by this Resolution shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on the date falling 15 months from the date of the passing of this Resolution, save that the Company may at any time 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 this authority had not expired.

**To consider and, if thought fit, to pass the following resolution as a special resolution:**

8. Subject to the passing of resolution 7, to empower the Directors to allot equity securities (as defined in section 560 of the Act) of the Company for cash under the authority given by resolution 7 and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the Act, in either case as if section 561(1) of the Act did not apply to such allotment provided that such power shall be limited:
  - 8.1 to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph 7.2 of resolution 7, by way of a rights issue only):
    - (a) to the holders of the Ordinary Shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares;
    - (b) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

and so that the directors may impose any limits or restrictions and make any arrangements as the directors may otherwise consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- 8.2 in the case of the authority granted under paragraph 7.1 of resolution 7 and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under section 560(2)(b) of the Act, to the allotment otherwise than pursuant to paragraph 8.1 above, of equity securities up to an aggregate nominal value equal to £25,000;

## Notice of Annual General Meeting cont

provided that such power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or, if earlier, on the date falling 15 months from the date of 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 offer or agreement as if the power conferred hereby had not expired.

By order of the board

.....

M.L. Morris  
Company Secretary

25 May 2016

### Registered office

H C Slingsby plc  
Otley Road  
Baildon  
Shipley  
BD17 7LW

Registered in England and Wales No. 00452716

*Entitlement to attend and vote*

- 1 The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00pm on 28 June 2016 (or, if the meeting is adjourned, 6.00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

*Proxies*

- 2 A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.  
1. A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.  
2. A proxy may only be appointed in accordance with the procedures set out in note 3 below and the notes to the proxy form.
- 3 The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.  
A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar or the proxy form may be photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.

To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrar, Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 10am on 28 June 2016 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

*Corporate Representatives*

- 4 A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

*Joint Holders*

5. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

*Total voting rights*

6. As at 24 May 2016 (being the latest practicable date prior to publication of this Notice, the Company's issued share capital consists of 1,000,000 Ordinary Shares, carrying one vote each. No Ordinary Shares are held by the Company in treasury. Therefore, the total voting rights in the Company as at 25 May 2016 are 1,000,000.

**Explanatory Notes to Resolutions 2, 7 and 8****Resolution 2 - Election of Morgan Morris**

Morgan Morris was appointed as a director of the Company by the Board on 13 February 2015. He is being put up for election at this year's Annual General Meeting as he was not formally appointed by shareholders at last year's Annual General Meeting.

**Resolution 7 – Authority to Allot Shares**

Paragraph 7.1 of this Resolution would give the directors the authority to allot Ordinary Shares or grant rights to subscribe for or convert any securities into Ordinary Shares up to an aggregate nominal amount of £25,000 (representing 100,000 Ordinary Shares). This amount represents approximately 10% of the issued ordinary share capital of the Company as at 25 May 2016, being the latest practicable date prior to publication of this Notice of Annual General Meeting (the «Latest Practicable Date»).

In accordance with the latest guidance issued by the Association of British Insurers, paragraph 7.2 of this Resolution would give the Board authority to allot Ordinary Shares or grant rights to subscribe for or convert any securities into Ordinary Shares in connection with a rights issue, to existing shareholders in proportion (as nearly as may be practicable) to their existing holdings, up to an aggregate nominal amount of £125,000 (representing 500,000 Ordinary Shares), as reduced by the nominal amount of any shares issued under paragraph 7.1 of this resolution. This amount (before any reduction) represents approximately 50% of the issued ordinary share capital of the Company as at the Latest Practicable Date.

The authority and power pursuant to Resolution 7 will expire on the later of 15 months from the date it is passed or the conclusion of the Company's next Annual General Meeting.

The Board will continue to seek to renew these authorities at each Annual General Meeting in accordance with current best practice. The Board has no present intention to exercise these authorities.

**Resolution 8 - Disapplication of Pre-emption Rights**

This Resolution would give the Board the authority to allot Ordinary Shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

This authority would be limited to an aggregate nominal amount of £25,000 (representing 100,000 Ordinary Shares). This aggregate nominal amount represents 10% of the issued Ordinary Share capital of the Company as at the Latest Practicable Date.

The authority and power pursuant to Resolution 8 will expire on the later of 15 months from the date Resolution 8 is passed or the conclusion of the Company's next Annual General Meeting.

The Board has no present intention to exercise these authorities.

## **HC Slingsby plc**

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