

H C SLINGSBY PLC
("Slingsby" or the "Company" or the "Group")

Audited Results for the year ended 31 December 2016

Statement by the Chairman

Board Changes

As reported in my 2016 half year statement, at the Annual General Meeting on 30 June 2016, John Waterhouse was not re-elected by shareholders as a director of the Company. As a result, I was appointed as Interim Executive Chairman and we continue to look to appoint a Non-Executive Chairman. We also continue to search for a new non-executive director which is proving to be more protracted than anticipated due to the ongoing uncertainty regarding the pension fund commitments.

Results

In that half year statement I reported an operating loss (before exceptional items) of £0.16m on sales of £9.3m. The full year operating loss (before exceptional items) was £0.26m (2015: loss of £10,000) on sales of £18m (2015: £17.1m). Together with exceptional restructuring costs, the full year pre-tax loss was £0.7m (2015: £0.6m).

The results for the year ended 31 December 2016 contain the full year benefit of the ESE Direct Limited ("ESE") acquisition which contributed £6.5m of sales (2015: £4.8m) and £0.2m (2015: £0.1m) operating profit. ESE remains cash generative.

Group earnings before interest, depreciation and amortisation ("EBITDA") in the year ended 31 December 2016 was £0.27m (2015: £0.52m) before exceptional items. Net debt at 31 December 2016 is £1.7m (2015: £1.5m).

Dividend

In view of the loss in 2016 and the uncertainty around the pension fund commitments, the Board is unable to recommend a final dividend for the year (2015:£nil).

Pension Scheme

The Company has an obligation to fund its defined benefit pension scheme and contributions to this scheme totalled £270,000 in 2016. This, together with scheme running costs of £160,000, represented a major commitment for the Company to meet. Following the vote to leave the European Union, the pension scheme deficit has increased as at 31 December 2016 to £9.6m (2015: £8.0m). Mainly as a result of this increase (a net £1.3m after deferred tax movement), as well as the losses incurred during the year, group net assets have declined by £1.9m at 31 December 2016 to £0.4m (2015: £2.3m).

In our half year statement I advised that, with agreement of the pension scheme Trustee, we had from 1 July 2016 suspended deficit reduction contributions (whilst still paying the agreed costs of the scheme) until a longer term solution was found. Discussions are ongoing and so whilst during this time the Company is not paying deficit reduction contributions, there is uncertainty as to the quantum and timing of future payments to the scheme.

Recent Trading

During 2016, we began to refocus our sales and marketing efforts towards customer acquisition. We simplified and improved the presentation of our later 2016 mailings and 2017 catalogue. In addition, we have reduced overheads and achieved synergies with ESE by combining activities across the Group.

I am pleased to report that these actions have resulted in sales for the first four months of the current financial year being 7% ahead of the comparable period last year. Whilst some of this sales improvement is due to several large orders received in 2016 but delivered in 2017, order intake in 2017 remains ahead of prior year.

Whilst encouraged by this improved trading in the early part of 2017, we remain cautious regarding future trading given the volatility which we have experienced in the recent past.

Finally, I would like to thank our staff across to Group for their efforts made in 2016 and 2017. Our performance to date in 2017 gives grounds for optimism but we must maintain our focus to build on what has been achieved.

D. S. Slingsby Interim Executive Chairman

24 May 2017