

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

**Audited Results for the year ended 31 December 2018**

**Statement by the Chairman**

**Board Composition**

Following the Board changes in 2016, I remain as Interim Executive Chairman and during 2018 Morgan Morris was appointed Group Chief Executive. We continue to seek to appoint additional new Non-Executive Directors. Although we have identified a number of highly suitable candidates, this is proving to be more protracted than anticipated due to the ongoing uncertainty regarding the pension fund commitments, as commented on further below.

**Results**

In the half year statement, I reported an operating unaudited profit of £0.21m on sales of £9.7m. The full year operating profit (before exceptional items) was £0.52m (2017: operating profit of £0.56m) on sales of £19.8m (2017: £19.2m). The Group increased sales by 3% and with gross margin stable, despite a rise in overheads this led to a profit before taxation and exceptional items of £0.26m (2017: profit of £0.23m).

However, during 2018, sales at ESE did not grow as previously expected. This led us to re-evaluate the value of goodwill held as an asset on the balance sheet following the acquisition. Following this re-evaluation, we decided to impair the value of goodwill from £2.4m to £1.7m leading to a non-cash exceptional charge of £675,000. Furthermore, we also recorded an exceptional charge of £216,000 for Guaranteed Minimum Pension obligations ("GMP") following the High Court ruling on this industry wide issue in October 2018. These non-cash charges are disappointing to report as they result in a loss before tax of £0.6m (2017: loss of £1m) which does not reflect the stable operating performance of the Group.

ESE Direct Limited ("ESE") contributed £6.5m of sales (2017: £6.8m) and profit before tax and management charges of £0.45m (2017: £0.44m). Sales fell due to large orders delivered in early 2017 not recurring in 2018 and to slower than forecast growth in web sales. Despite this, profitability was maintained due to a reduction in overheads and an improvement in the margin from actions to further integrate the ESE business with the Slingsby business.

Group earnings before interest, tax, depreciation and amortisation ("EBITDA") in the year ended 31 December 2018 were £1m (2017: £1m) before exceptional items. Net debt at 31 December 2018 was £1.1m (2017: £1.6m). This reduction in net debt was despite capital expenditure of £0.36m (2017: £0.1m).

**Dividend**

In view of the loss in 2018 and the uncertainty around the pension fund commitments, the Board is unable to recommend a final dividend for the year (2017: £nil).

**Pension Scheme**

We remain in discussion with the Trustee of the defined benefit pension scheme regarding a long term solution to the deficit. During 2018, the Company made no deficit reduction payments (2017: nil). At 31 December 2018, the pension scheme deficit decreased by £0.2m to £8.4m (2017: £8.6m). This improvement in the pension scheme position together with the pre-exceptional profit before taxation has mitigated the impact on the balance sheet of the goodwill impairment, such that Group net assets are £0.2m (2017: £0.4m).

As discussions regarding the pension position are ongoing and whilst during this time the Company is not paying deficit reduction contributions, there remains uncertainty as to the quantum and timing of future payments to the scheme.

**Recent Trading**

Group sales growth in Q1 of 2019 against the same period in 2018 was 5%. However, a reduction in Group margin and an increase in Group overheads has led to operating profit for the period being lower than in the prior year.

The market remains competitive and whilst we consider that the Group is on a stronger footing due to the changes in marketing and product strategy, synergies realised and investments in IT and equipment, we are cautious regarding the outlook. This is particularly the case due to uncertainty created by the decision to extend the Brexit process and its potential impact on the level of corporate activity. What is now the initial Brexit date

was an event which the Group and a portion of its customer base had planned for and the impact of unwinding these plans may impact short term demand.

Finally, I would like to thank our staff across the Group for their efforts in 2018. Our sales performance to date in 2019 continues to provide grounds for optimism and the investments made during 2018 can be built upon to further enhance efficiency.



**D.S. Slingsby**

Interim Executive Chairman

10 May 2019

For further information, please contact:

**H C Slingsby PLC**

Dominic Slingsby, Interim Executive Chairman  
Morgan Morris, Group Chief Executive

Tel: 01274 535 030

**Allenby Capital Limited**

David Worlidge/Nicolas Chambers

Tel: 020 3328 5656

## Audited Consolidated Income Statement for the year ended 31 December 2018

	Note	2018 (Audited) £'000	2017 (Audited) £'000
Revenue		19,817	19,240
Operating profit before exceptional items		520	557
Exceptional items	2	(891)	(1,221)
Operating loss		(371)	(664)
Finance costs		(262)	(331)
Loss before taxation		(633)	(995)
Taxation		(29)	(62)
Loss for the year attributable to owners of the parent		(662)	(1,057)
Basic and diluted loss per share	4	(66.2p)	(105.7p)

## Audited Consolidated Statement of Comprehensive Income and Expense for the year ended 31 December 2018

	2018 (Audited) £'000	2017 (Audited) £'000
Loss for the year	(662)	(1,057)
<b>Items that will not be classified to profit or loss:</b>		
Re-measurements of post-employment benefit obligation	604	1,276
Movement in deferred tax relating to retirement benefit obligation	(103)	(246)
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Exchange adjustment	-	8
Other comprehensive income	501	1,038
Total comprehensive expense for the year attributable to equity shareholders	(161)	(19)

# Audited Consolidated Balance Sheet as at 31 December 2018

	Note	2018 (Audited) £'000	2017 (Audited) £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,578	4,472
Intangible assets		641	877
Goodwill		1,734	2,409
Deferred tax asset		1,434	1,464
		<u>8,387</u>	<u>9,222</u>
<b>Current assets</b>			
Inventories		1,947	1,823
Trade and other receivables		2,576	2,376
Derivative financial asset		14	-
Cash and cash equivalents		1,458	996
		<u>5,995</u>	<u>5,195</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(5,261)	(4,964)
Derivative financial liability		-	(7)
Finance lease obligations		-	(30)
		<u>(5,261)</u>	<u>(5,001)</u>
<b>Net current assets</b>		<u>734</u>	<u>194</u>
<b>Non-current liabilities</b>			
Finance lease obligations		-	(7)
Retirement benefit obligation	3	(8,438)	(8,610)
Deferred tax liabilities		(460)	(415)
		<u>223</u>	<u>384</u>
<b>Net assets</b>		<u>223</u>	<u>384</u>
<b>Capital and reserves</b>			
Share capital		250	250
Retained earnings		(27)	134
<b>Total equity</b>		<u>223</u>	<u>384</u>

## Audited Consolidated Cash Flow Statement for the year ended 31 December 2018

		2018 (Audited) £'000	2017 (Audited) £'000
	Note		
<b>Cash flows from operating activities</b>			
Cash generated from operations	5	893	334
Interest payable		(45)	(70)
UK corporation tax (paid)/received		(60)	25
		-----	-----
<b>Cash generated from operating activities</b>		<b>788</b>	<b>289</b>
		-----	-----
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(358)	(88)
Purchase of intangible assets		-	(20)
Proceeds from sales of property, plant and equipment		41	9
		-----	-----
<b>Net cash used in investing activities</b>		<b>(317)</b>	<b>(99)</b>
		-----	-----
<b>Cash flows from financing activities</b>			
Capital element of finance lease payments		(37)	(44)
Repayment of borrowings		(575)	(39)
Increase in overdraft		603	252
		-----	-----
<b>Net cash (used in)/generated from financing activities</b>		<b>(9)</b>	<b>169</b>
		-----	-----
<b>Net increase in cash and cash equivalents</b>		<b>462</b>	<b>359</b>
Opening cash and cash equivalents		996	632
Exchange differences		-	5
		-----	-----
<b>Closing cash and cash equivalents</b>		<b>1,458</b>	<b>996</b>
		-----	-----

## Audited Consolidated Statement of Changes in Shareholders' Equity

	Share capital £'000	Retained earnings £'000	Translation reserve £'000	Total equity £'000
1 January 2017	250	131	22	403
Loss for the year	-	(1,057)	-	(1,057)
Other comprehensive income for the year	-	1,030	8	1,038
Transfer	-	30	(30)	-
	-----	-----	-----	-----
Total comprehensive income/(expense) for the year	-	3	(22)	(19)
	-----	-----	-----	-----
1 January 2018	250	134	-	384
Loss for the year	-	(662)	-	(662)
Other comprehensive income for the year	-	501	-	501
	-----	-----	-----	-----
Total comprehensive expense for the year		(161)	-	(161)
	-----	-----	-----	-----
31 December 2018	250	(27)	-	223
	-----	-----	-----	-----

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



## Notes to the Audited Results for the year ended 31 December 2018

- The preliminary financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the financial years ended 31 December 2018 and 31 December 2017, but has been extracted from those accounts. The annual accounts for the years ended 31 December 2017 and 31 December 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial information included in this preliminary announcement does not include all the disclosures required in accounts prepared in accordance with IFRS and accordingly it does not itself comply with IFRS or the Companies Act 2006.

The accounting policies used in the preparation of this preliminary announcement have remained unchanged from those set out in the statutory accounts for the year ended 31 December 2017. They are also consistent with those in the full accounts for the year ended 31 December 2018 which have yet to be published.

Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for the financial year ended 31 December 2018 will be delivered following the Company's annual general meeting. The auditors have reported on the accounts for the years ended 31 December 2017 and 31 December 2018 and their opinions were unqualified, did not include any matters to which the auditor drew attention by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Exceptional item	2018 (Audited) £'000	2017 (Audited) £'000
GMP equalisation	(216)	-
Asset impairment	(675)	(1,221)
	<u>(891)</u>	<u>(1,221)</u>

3. Retirement benefit obligation	2018 (Audited) £'000	2017 (Audited) £'000
Present value of funded obligation	25,321	26,666
Fair value of scheme assets	(16,883)	(18,056)
	<u>8,438</u>	<u>8,610</u>
Net liability in balance sheet	8,438	8,610

## 4. Loss per share

Basic loss per share is based upon losses of £662,000 (2017: £1,057,000) and on 1,000,000 (2017: 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.

5. Cash generated from/(used in) operating activities

	2018 (Audited) £'000	2017 (Audited) £'000
Loss before tax	(633)	(995)
Net finance costs	262	331
Depreciation and amortisation	463	480
Exceptional impairment provision	675	1,221
Profit on sale of property, plant and equipment	(16)	(4)
Exceptional charge for GMP equalisation	216	-
Increase in inventories	(124)	(12)
Decrease/(increase) in trade and other receivables	(214)	143
(Decrease)/increase in trade and other payables	264	(830)
Cash generated from operating activities	893	334

6. Dividends

No dividends were paid or declared during 2017 or 2018.

7. Availability of Report and Accounts

The financial statements for the year ended 31 December 2018, containing a notice of the Annual General Meeting will be posted to shareholders shortly.