

H C Slingsby plc
(“Slingsby” or “the Company”)

Report for the half year ended 30 June 2019

Statement by the Chairman

Trading

In my trading update of 12 June 2019, I reported that Group sales in the five months to 31 May 2019 were 3.5% higher than prior year but that adverse movements in gross margin and overheads meant that operating profit was lower than the comparable period in 2018. Variability in order intake experienced since the decision to extend the Brexit date, the unwinding of customers' plans for this event and the economic uncertainty created, led us to be cautious regarding the short-term outlook.

While Group sales for the six months to 30 June 2019 were 2% higher compared with the prior year, operating profit fell by £117,000 to £93,000 (2018: £210,000) due to adverse movements in gross margin and overheads. The Group's loss before tax was £52,000 compared to a prior year profit before tax of £76,000 and is after £122,000 of finance costs relating to the company's defined benefit pension scheme (2018: £108,000).

We remain cautious regarding the outlook due to the continued variability in order intake, economic uncertainty and the competitive nature of the marketplace.

Balance sheet

The Group has net liabilities of £1.45m at 30 June 2019 from net assets of £0.22m at 31 December 2018. This is largely due to an increase in the liability relating to the defined benefit pension scheme of £1.6m (after associated deferred tax). The retirement benefit obligation increased during the six months to 30 June 2019 as a result of a change in the assumption regarding interest rates, although this was partly offset by an increase in the level of pension scheme assets despite the company making no deficit reduction contributions.

We remain in discussion with the trustees of the Company Pension Scheme and the relevant authorities regarding a long term solution to the pension scheme deficit and continue to pay the running costs previously agreed with the trustees of £160,000 per annum. Until these discussions regarding the defined benefit pension scheme are concluded, the quantum and timing of future deficit reduction payments in this regard are uncertain.

Cashflow

The Group had net debt of £1.30m at 30 June 2019 (£1.24m at 30 June 2018) compared to £1.15m at 31 December 2018. Stock levels at 30 June 2019 were £0.3m higher than at 31 December 2018 (£0.5m higher than at 30 June 2018) due to the Group's Brexit preparations and sourcing strategy. The Group continues to operate within its existing banking facilities and the Directors continue to believe that the Group has additional funding options available should the need arise.

Dividend

The Board has decided not to declare an interim dividend.

People

Whilst our profit performance is reduced from that in the prior year, I would like to thank our employees across the Group for their continued hard work.

Dominic Slingsby
Interim Executive Chairman and Operations Director

For further information please contact:

H C Slingsby plc

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Unaudited Condensed Consolidated Income Statement for the half year ended 30 June 2019

	Note	Half year ended 30/06/19 (Unaudited) £'000	Half year ended 30/06/18 (Unaudited) £'000	Year ended 31/12/18 (Audited) £'000
Revenue		9,946	9,725	19,817
Operating profit before exceptional items		93	210	520
Exceptional items	2	-	-	(891)
Operating profit/(loss)		93	210	(371)
Finance costs		(145)	(134)	(262)
(Loss)/profit before taxation		(52)	76	(633)
Taxation	3	21	8	(29)
(Loss)/profit for the period attributable to equity shareholders		(31)	84	(662)
Basic and diluted (loss)/profit per share		(3.1p)	8.4p	(66.2p)

The results set out above derive entirely from continuing operations.

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

Unaudited Consolidated Statement of Comprehensive Income and Expense for the half year ended 30 June 2019

	Half year ended 30/06/19 (Unaudited) £'000	Half year ended 30/06/18 (Unaudited) £'000	Year ended 31/12/18 (Audited) £'000
(Loss)/profit for the period	(31)	84	(662)
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	(1,979)	1,565	604
Movement in deferred tax relating to retirement benefit obligation	337	(266)	(103)
Other comprehensive (expense)/income	(1,642)	1,299	501
Total comprehensive (expense)/income recognised for the period attributable to equity shareholders	(1,673)	1,383	(161)

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

Unaudited Consolidated Balance Sheet as at 30 June 2019

	30/06/19 (Unaudited) £'000	30/06/18 (Unaudited) £'000	31/12/18 (Audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	4,588	4,469	4,578
Intangible assets	720	754	641
Goodwill	1,734	2,409	1,734
Deferred tax asset	1,775	1,221	1,434
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	8,817	8,853	8,387
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Current assets			
Inventories	2,276	1,803	1,947
Trade and other receivables	2,612	2,906	2,576
Cash and cash equivalents	1,397	1,390	1,458
Current tax asset	-	-	-
Derivative financial asset	6	26	14
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	6,291	6,125	5,995
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Liabilities			
Current liabilities			
Trade and other payables	(2,765)	(3,006)	(2,658)
Bank borrowings	(2,698)	(2,629)	(2,603)
Operating lease obligations	(31)	(3)	-
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	(5,494)	(5,638)	(5,261)
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Net current assets	797	487	734
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Non-current liabilities			
Retirement benefit obligation	(10,539)	(7,153)	(8,438)
Operating lease obligations	(82)	-	-
Deferred tax liabilities	(443)	(420)	(460)
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Net (liabilities)/assets	(1,450)	1,767	223
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Capital and reserves			
Share capital	250	250	250
Retained earnings	(1,700)	1,517	(27)
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Total equity	(1,450)	1,767	223
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The above unaudited consolidated balance sheet should be read in conjunction with the accompanying notes.

Unaudited Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £'000	Retained earnings £'000	Translation reserve £'000	Total equity £'000
At 1 January 2018	250	134	-	384
Total comprehensive income recognised for the period	-	1,383	-	1,383
At 30 June 2018	250	1,517	-	1,767
At 1 January 2019	250	(27)	-	223
Total comprehensive expense recognised for the period	-	(1,673)	-	(1,673)
At 30 June 2019	250	(1,700)	-	(1,450)

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

Unaudited Consolidated Statement of Cash Flows for the half year ended 30 June 2019

	Note	Half year ended 30/06/19 (Unaudited) £'000	Half year ended 30/06/18 (Unaudited) £'000	Year ended 31/12/18 (Audited) £'000
Cash flows from operating activities				
Cash generated from operations	4	32	499	893
UK corporation tax received		-	-	(60)
Interest paid		(23)	(26)	(45)
Cash generated from operating activities		9	473	788
Cash flows from investing activities				
Purchase of property, plant and equipment		(158)	(115)	(358)
Purchase of intangible assets		-	-	-
Proceeds from sales of property, plant and equipment		9	16	41
Net cash outflow from investing activities		(149)	(99)	(317)
Cash flows from financing activities				
Capital element of operating/finance lease repayments		(15)	(35)	(37)
Proceeds from/(repayment of) borrowing		526	(7)	(575)
(Decrease)/Increase in overdraft		(432)	62	603
Net cash generated from/(used in) financing activities		79	20	(9)
Net (decrease)/increase in cash and cash equivalents		(61)	394	462
Opening cash and cash equivalents		1,458	996	996
Closing cash and cash equivalents		1,397	1,390	1,458

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

Notes to the Interim Report for the half year ended 30 June 2019

1. Interim Financial Information

The unaudited condensed consolidated interim financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial statements, which are unaudited and have not been reviewed by the Company's auditors, have been prepared in accordance with the policies set out in the 2018 Annual Report and Accounts except that the company has adopted IFRS 16 'Leases'. The comparative figures for the year ended 31 December 2018 do not constitute full financial statements and have been abridged from the full accounts for the year ended on that date, on which the auditors gave an unqualified report, which did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006. The 2018 accounts have been delivered to the Registrar of Companies. The Company has chosen not to adopt IAS 34 'Interim Financial Statements'.

2. Exceptional items

	Half year ended 30/06/19 (Unaudited) £'000	Half year ended 30/06/18 (Unaudited) £'000	Year ended 31/12/18 (Audited) £'000
GMP Equalisation	-	-	216
Asset impairment	-	-	675
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	-	-	891
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The asset impairment relates to the company's freehold property.

3. Taxation

	Half year ended 30/06/19 (Unaudited) £'000	Half year ended 30/06/18 (Unaudited) £'000	Year ended 31/12/18 (Audited) £'000
Current tax	-	10	57
Deferred tax	(21)	(18)	(28)
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	(21)	(8)	29
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The effective tax rate is nil.

4. Cash generated from operations

	Half year ended 30/06/19 (Unaudited) £'000	Half year ended 30/06/18 (Unaudited) £'000	Year ended 31/12/18 (Audited) £'000
(Loss)/profit before tax	(52)	76	(633)
Net finance costs	145	134	262
Depreciation and amortisation	205	230	463
Asset impairment	-	-	675
Profit on sale of property, plant and equipment	(4)	(3)	(16)
Exceptional charge for GMP equalisation	-	-	216
(Increase)/decrease in inventories	(329)	20	(124)
(Increase)/Decrease in trade and other receivables	(27)	(555)	(214)
Increase/(Decrease) in trade and other payables	94	597	264
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Cash generated from operating activities	32	499	893
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5. Availability of Interim Report

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