

Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement, this information is now considered to be in the public domain.

18 August 2020

H C Slingsby plc
("Slingsby" or "the Company")
Report for the half year ended 30 June 2020

Statement by the Chairman

Trading

In my trading update of 19 June 2020, I reported that Group sales in the five months to 31 May 2020 were 3% lower than prior year but that an improved level of gross margin and lower overheads meant that operating profit was higher than the comparable period in 2019. We were cautious regarding the outlook due to the significant uncertainty caused by the Coronavirus and that orders were concentrated on a limited product range.

The Group received a high level of orders during June 2020 and whilst fulfilment of these orders was challenging, the Group reported sales in June 2020 which were 50% higher than in June 2019. As a result, sales for the six months to 30 June 2020 were 5% higher compared with the same period in the prior year. This higher level of sales, combined with improved gross margin, led to an operating profit for the six months to 30 June 2020 of £0.5m (2019: £0.1m). The Group's profit before tax was £0.4m compared to a prior year loss before tax of £52,000.

Orders remain focussed on a limited number of products. The Group has managed to largely fulfil demand for these products to enable customers to continue or re-start their operations in accordance with Government Coronavirus guidance. However, we remain cautious that this increase in demand is short term and economic conditions may deteriorate should our customers suffer from lower levels of activity than they experienced prior to the pandemic when Government stimulus measures are withdrawn.

Balance sheet

The Group had net assets of £1.32m at 30 June 2020 compared to net assets of £1.67m at 31 December 2019. This reduction is due to an increase in the liability relating to the defined benefit pension scheme of £0.7m (after associated deferred tax). The retirement benefit obligation increased during the six months to 30 June 2020 due to the fall in the discount rate used by the scheme actuary caused by the continued low interest rate environment. This has the impact of increasing scheme liabilities, which outweighed an increase in the value of scheme assets. The Company made deficit reduction contributions totalling £150,000 in the six months to 30 June 2020 in line with the agreement with the scheme's Trustee.

Cashflow

The Group had net debt of £0.4m at 30 June 2020 (£1.3m at 30 June 2019) compared to £1.1m at 31 December 2019. Stock levels at 30 June 2020 were £0.3m higher than at 31 December 2019 (£0.2m higher than at 30 June 2019) due to the Group's sourcing strategy in response to increased customer demand for products relating to the Coronavirus. 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. The Group continues to utilise appropriate Government schemes to assist with cashflow.

Dividend

Due to the agreement reached with the Trustee of the defined benefit pension scheme, the Board is unable to declare an interim dividend.

People

We would like to thank our employees for their hard work and adaptability which has enabled the Group to maintain its operations and continue to help its customers through this difficult time.

Dominic Slingsby
Interim Executive Chairman and Operations Director

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H C Slingsby plc

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Unaudited Condensed Consolidated Income Statement for the half year ended 30 June 2020

	Note	Half year ended 30/06/20 (Unaudited) £'000	Half year ended 30/06/19 (Unaudited) £'000	Year ended 31/12/19 (Audited) £'000
Revenue		10,455	9,946	19,568
Operating profit before exceptional items		505	93	446
Exceptional items	2	-	-	2,726
Operating profit		505	93	3,172
Finance costs		(81)	(145)	(285)
Profit/(Loss) before taxation		424	(52)	2,887
Taxation	3	(38)	21	(552)
Profit/(Loss) for the period attributable to equity shareholders		386	(31)	2,335
Basic and diluted profit/(loss) per share		38.6p	(3.1p)	233.5p

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 2020

	Half year ended 30/06/20 (Unaudited) £'000	Half year ended 30/06/19 (Unaudited) £'000	Year ended 31/12/19 (Audited) £'000
Profit/(Loss) for the period	386	(31)	2,335
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	(883)	(1,979)	(1,069)
Movement in deferred tax relating to retirement benefit obligation	150	337	103
Other comprehensive expense	(733)	(1,642)	(887)
Total comprehensive (expense)/income recognised for the period attributable to equity shareholders	(347)	(1,673)	1,448

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 2020

	30/06/20 (Unaudited) £'000	30/06/19 (Unaudited) £'000	31/12/19 (Audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	5,089	4,588	5,296
Intangible assets	650	720	610
Goodwill	700	1,734	700
Deferred tax asset	1,239	1,775	1,115
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	7,678	8,817	7,721
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Current assets			
Inventories	2,456	2,276	2,134
Trade and other receivables	3,046	2,612	2,401
Cash and cash equivalents	1,696	1,397	1,278
Current tax asset	-	-	-
Derivative financial asset	7	6	-
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	7,205	6,291	5,813
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Liabilities			
Current liabilities			
Trade and other payables	(3,534)	(2,765)	(2,306)
Bank borrowings	(2,126)	(2,698)	(2,423)
Derivative financial obligations	-	-	(8)
Lease obligations	(32)	(31)	(32)
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	(5,692)	(5,494)	(4,769)
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Net current assets	1,513	797	1,044
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Non-current liabilities			
Retirement benefit obligation	(7,359)	(10,539)	(6,558)
Lease obligations	(50)	(82)	(66)
Deferred tax liabilities	(458)	(443)	(470)
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Net assets/(liabilities)	1,324	(1,450)	1,671
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Capital and reserves			
Share capital	250	250	250
Retained earnings	1,074	(1,700)	1,421
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Total equity	1,324	(1,450)	1,671
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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	Total equity £'000
At 1 January 2019	250	(27)	223
Total comprehensive income recognised for the period	-	(1,673)	(1,673)
At 30 June 2019	250	(1,700)	(1,450)
At 1 January 2020	250	1,421	1,671
Total comprehensive expense recognised for the period	-	(347)	(347)
At 30 June 2020	250	1,074	1,324

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 2020

	Note	Half year ended 30/06/20 (Unaudited) £'000	Half year ended 30/06/19 (Unaudited) £'000	Year ended 31/12/19 (Audited) £'000
Cash flows from operating activities				
Cash generated from operations	4	787	32	404
UK corporation tax received		-	-	(57)
Interest paid		(12)	(23)	(36)
Cash generated from operating activities		775	9	311
Cash flows from investing activities				
Purchase of property, plant and equipment		(30)	(158)	(212)
Purchase of intangible assets		(12)	-	(83)
Proceeds from sales of property, plant and equipment		-	9	20
Net cash outflow from investing activities		(42)	(149)	(275)
Cash flows from financing activities				
Capital element of operating/finance lease repayments		(18)	(15)	(36)
Proceeds from borrowing		510	526	397
Decrease in overdraft		(807)	(432)	(577)
Net cash (used in)/generated from financing activities		(315)	79	(216)
Net increase/(decrease) in cash and cash equivalents		418	(61)	(180)
Opening cash and cash equivalents		1,278	1,458	1,458
Closing cash and cash equivalents		1,696	1,397	1,278

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 2020

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 2019 Annual Report and Accounts. The comparative figures for the year ended 31 December 2019 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, but did contain an emphasis of matter paragraph in respect of the Group's ability to continue as a going concern due to the significant uncertainty caused by Coronavirus. They did not contain any statement under Section 498 of the Companies Act 2006. The 2019 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 30/06/20 (Unaudited) £'000	Half year ended 30/06/19 (Unaudited) £'000	Year ended 31/12/19 (Audited) £'000
Settlement gain	-	-	3,069
Goodwill impairment provision	-	-	(1,034)
Property impairment reversal	-	-	691
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	-	-	2,726
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The settlement gain relates to the reduction in pension scheme liabilities (net of assets transferred) following two executive members transferring out of the scheme with the agreement of the scheme Trustee.

The goodwill impairment provision relates to a reduction in the carrying value of ESE Direct Limited.

The property impairment reversal reflects the increased value of the Group's freehold property following a recent re-valuation. The property's value was previously impaired by £1.22m in 2017.

3. Taxation

	Half year ended 30/06/20 (Unaudited) £'000	Half year ended 30/06/19 (Unaudited) £'000	Year ended 31/12/19 (Audited) £'000
Current tax	24	-	41
Deferred tax	14	(21)	511
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	38	(21)	552
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The effective tax rate is 9%.

4. Cash generated from operations

	Half year ended 30/06/20 (Unaudited) £'000	Half year ended 30/06/19 (Unaudited) £'000	Year ended 31/12/19 (Audited) £'000
Profit/(Loss) before tax	424	(52)	2,887
Net finance costs	81	145	285
Depreciation and amortisation	210	205	414
Defined benefit pension scheme contributions paid	(150)	-	(125)
Property impairment reversal	-	-	(691)
Settlement gain related to defined benefit pension scheme	-	-	(3,069)
Exceptional impairment provision	-	-	1,034
Profit on sale of property, plant and equipment	-	(4)	(8)
Increase in inventories	(322)	(329)	(186)
(Increase)/Decrease in trade and other receivables	(652)	(27)	189
Increase/(Decrease) in trade and other payables	1,196	94	(326)
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Cash generated from operating activities	787	32	404
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5. Availability of Interim Report

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