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

Audited Results for the year ended 31 December 2019

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. The Board continues to believe that it would benefit from the appointment of new Non-Executive Directors. Whilst this process should now be possible following the agreement with regard to the pension scheme detailed below, we are unable to proceed at present due to the Coronavirus restrictions.

Results

In the half year statement, I reported an operating profit of £0.1m on sales of £9.9m. The full year operating profit (before exceptional items) was £0.45m (2018: £0.52m) on sales of £19.6m (2018: £19.8m). Group sales declined by around 1% which, together with a reduction in gross margin, led to a profit before taxation and exceptional items of £0.16m (2018: £0.26m) The reduction in Group sales is attributable to lower sales of seasonal products (both winter and summer) due to the milder weather in 2019 compared to 2018.

ESE Direct Limited ("ESE") contributed £6.4m of sales (2018: £6.5m) and profit before tax and management charges of £0.39m (2018: £0.45m). The lack of growth in sales at ESE 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 £1.7m to £0.7m leading to a non-cash exceptional item of £1m.

During 2019, two executive members transferred out of the Company's defined benefit pension scheme at values which led to an overall reduction in the scheme deficit of £3.1m, which is presented in the income statement as an exceptional gain. In addition, a re-valuation of the Group's freehold property led to a reversal of the previous impairment, and a further £0.7m exceptional gain. After these non-cash items, the Group's profit before tax was £2.9m (2018: loss of £0.6m).

Group earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA") in the year ended 31 December 2019 were £0.9m (2018: £1m). Net debt at 31 December 2019 was £1.1m (2018: £1.1m).

Dividend

Due to the agreement reached with the Trustee of the defined benefit pension scheme, the Board is unable to recommend a final dividend for the year (2018: £nil). However, regardless of this agreement, due to the reduced pre-exceptional profit performance and the uncertainty caused by the Coronavirus, the Board would not have recommended a payment be made.

Pension Scheme

Protracted discussions with the Trustee of the defined benefit pension scheme and the pension authorities, regarding a long term solution to the scheme deficit, led to an agreement by which the Company re-commenced contributions paying £0.125m during the year (2018: nil). The Company has agreed to pay £0.3m a year in deficit reduction contributions which will be reviewed in June 2022. The Company will also continue to contribute £0.16m towards scheme running costs. As a result of this agreement, the Group agreed not to make distributions to shareholders prior to 1 June 2021 and to limit their quantum to £60,000 plus 50% of its net cashflow.

The agreement removes uncertainty surrounding the Group's contributions to the scheme and removes the risk that the Trustee demand payment of arrears of contributions of £1.6m. At 31 December 2019, the pension scheme deficit decreased by £1.8m to £6.6m (2018: £8.4m) largely due to the transfers out referred to above. This improvement in the pension scheme position together with the pre-exceptional profit before tax increased Group net assets to £1.7m (2018: £0.2m).

Recent Trading

Group sales declined in Q1 of 2020 against the same period in 2019 by 4%. The Coronavirus pandemic had an adverse effect on sales at ESE but this was almost offset by increased sales of certain of the Group's products that saw increased demand due to the Coronavirus. An improvement in the Group's overall margin and lower overheads led to operating profit being higher than in the prior year.

The market remains competitive and we are cautious regarding the outlook. This is particularly the case due to significant uncertainty created by the Coronavirus. We are seeing large falls in demand from customers in certain adversely affected sectors and order concentration on a limited number of product lines and from a smaller number of customers. It is unclear as to the impact that the virus will have on demand going forward.

Finally, I would like to thank our staff across the Group for their efforts in 2019 and particularly since the outbreak of Coronavirus. Across the Group, we are proud of our position as a key supplier to the NHS and related sectors and have worked hard to ensure that we have remained "open for business".

D.S.Slingsby
Interim Executive Chairman

15 May 2020

For further information, please contact:

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Audited Consolidated Income Statement for the year ended 31 December 2019

	Note	2019 (Audited) £'000	2018 (Audited) £'000
Revenue		19,568	19,817
Operating profit before exceptional items		446	520
Exceptional items	2	2,726	(891)
Operating profit/(loss)		3,172	(371)
Finance costs		(285)	(262)
Profit/(loss) before taxation		2,887	(633)
Taxation		(552)	(29)
Profit/(loss) for the year attributable to owners of the parent		2,335	(662)
Basic and diluted earnings/(loss) per share	4	233.5p	(66.2p)

Audited Consolidated Statement of Comprehensive Income and Expense for the year ended 31 December 2019

	2019 (Audited) £'000	2018 (Audited) £'000
Profit/(loss) for the year	2,335	(662)
Items that will not be classified to profit or loss:		
Re-measurements of post-employment benefit obligation	(1,069)	604
Movement in deferred tax relating to retirement benefit obligation	182	(103)
Other comprehensive (expense)/income	(887)	501
Total comprehensive income/(expense) for the year attributable to equity shareholders	1,448	(161)

Audited Consolidated Balance Sheet as at 31 December 2019

	Note	2019 (Audited) £'000	2018 (Audited) £'000
Assets			
Non-current assets			
Property, plant and equipment		5,296	4,578
Intangible assets		610	641
Goodwill		700	1,734
Deferred tax asset		1,115	1,434
		7,721	8,387
Current assets			
Inventories		2,134	1,947
Trade and other receivables		2,401	2,576
Derivative financial asset		-	14
Cash and cash equivalents		1,278	1,458
		5,813	5,995
Liabilities			
Current liabilities			
Trade and other payables		(4,729)	(5,261)
Derivative financial liability		(8)	-
Finance lease obligations		(32)	-
		(4,769)	(5,261)
Net current assets		1,044	734
Non-current liabilities			
Lease obligations		(66)	-
Retirement benefit obligation	3	(6,558)	(8,438)
Deferred tax liabilities		(470)	(460)
Net assets		1,671	223
Capital and reserves			
Share capital		250	250
Retained earnings		1,421	(27)
Total equity		1,671	223

Audited Consolidated Cash Flow Statement for the year ended 31 December 2019

	Note	2019 (Audited) £'000	2018 (Audited) £'000
Cash flows from operating activities			
Cash generated from operations	5	404	893
Interest payable		(36)	(45)
UK corporation tax paid		(57)	(60)
Cash generated from operating activities		311	788
Cash flows from investing activities			
Purchase of property, plant and equipment		(212)	(358)
Purchase of intangible assets		(83)	-
Proceeds from sales of property, plant and equipment		20	41
Net cash used in investing activities		(275)	(317)
Cash flows from financing activities			
Capital element of finance lease payments		(36)	(37)
Repayment of borrowings		397	(575)
Increase in overdraft		(577)	603
Net cash used in financing activities		(216)	(9)
Net increase in cash and cash equivalents		(180)	462
Opening cash and cash equivalents		1,458	996
Closing cash and cash equivalents		1,278	1,458

Audited Consolidated Statement of Changes in Shareholders' Equity

	Share capital £'000	Retained earnings £'000	Total equity £'000
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)
1 January 2019	250	(27)	223
Profit for the year	-	2,335	2,335
Other comprehensive expense for the year	-	(887)	(887)
Total comprehensive income for the year		1,448	1,448
31 December 2019	250	1,421	1,671

Notes to the Audited Results for the year ended 31 December 2019

1. 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 2019 and 31 December 2018, but has been extracted from those accounts. The annual accounts for the years ended 31 December 2018 and 31 December 2019 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.

With the exception of the adoption of IFRS 16, 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 2018. They are also consistent with those in the full accounts for the year ended 31 December 2019 which have yet to be published.

Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for the financial year ended 31 December 2019 will be delivered following the Company's annual general meeting.

The auditors have reported on the accounts for the year ended 31 December 2018 and their opinion was unqualified, did not include any matters to which the auditor drew attention by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The auditors have reported on the accounts for the year ended 31 December 2019 and their opinion was unqualified, did not contain a statement under section 498(2) or (3) of the Companies Act 2006, but did include a matter to which the auditors drew attention by way of emphasis without qualifying their report relating to the basis of preparation which is reproduced below:

"Material uncertainty related to going concern
We draw attention to note 1 in the financial statements, which indicates that the group may be adversely affected by the ongoing impact of the Covid-19 (coronavirus) outbreak and in particular the potential impact of a significant fall in demand on the group's cashflow. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

Going concern
Extract from the accounts for the year ended 31 December 2019:

"The Group has made a profit for the year of £2.3m largely due to non-cash exceptional items (2018 loss £662,000) and had net current assets at 31 December 2019 of £1,044,000 (2018 net current assets of £734,000). The result of the company for the financial year was a profit of £2,236,000 (2018: loss £1,561,000).

An agreement has been reached with the pension scheme Trustee, regarding the Company's short term contributions to the Scheme which removed the risk that the Trustee could demand repayment of the arrears of contributions of £1.58m.

The Directors have prepared trading and cash flow forecasts for the group for the period to 31 December 2021, which include the pension scheme contributions as agreed. These forecasts indicate that the Group will be able to operate within its banking facilities and meet its liabilities as the fall due.

The overdraft element of the Group's banking facilities expires on 30 April 2021.

The financial statements have therefore been prepared on a going concern basis which assumes the group will continue in operation for the foreseeable future.

However, the coronavirus pandemic could have a short to medium term impact on the group's financial performance which is not easy to forecast. The impact could be from a significant fall in demand, from customer credit losses (bad debts) or from late customer payments. These would restrict the group's ability to generate operating cashflow.

While the directors are taking steps to manage cashflow, reduce costs and to plan appropriate mitigative commercial actions to take during this period of instability across the global economy, sensitivity analysis of the trading and cashflow forecasts prepared for the period to 31 December 2021 indicate some possible scenarios relating to ongoing reduced sales activity where the group may not be able to meet its liabilities as they fall due. The directors believe that it remains appropriate to prepare the financial statements on a going concern basis, however the coronavirus outbreak and the risks it may pose to the group give rise to a level of material uncertainty relating to going concern."

The financial statements do not include any adjustments that would result from the basis of preparation as a going concern being inappropriate.

2. Exceptional item

	2019 (Audited) £'000	2018 (Audited) £'000
Settlement gain	3,069	-
GMP equalisation	-	(216)
Asset impairment	(1,034)	(675)
Property impairment reversal	691	-
	2,726	(891)

3. Retirement benefit obligation

	2019 (Audited) £'000	2018 (Audited) £'000
Present value of funded obligation	22,005	25,321
Fair value of scheme assets	(15,447)	(16,883)
Net liability in balance sheet	6,558	8,438

4. Profit/(loss) per share

Basic profit per share is based upon a profit of £2,335,000 (2018: loss of £662,000) and on 1,000,000 (2018: 1,000,000) ordinary shares in issue during the year.

There is no difference between basic profit 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

	2019 (Audited) £'000	2018 (Audited) £'000
Profit/(loss) before tax	2,887	(633)
Net finance costs	285	262
Depreciation and amortisation	414	463
Defined benefit pension scheme contributions paid	(125)	-
Property impairment reversal	(691)	-
Settlement gain related to defined benefit pension scheme	(3,069)	-
Exceptional impairment provision	1,034	675
Profit on sale of property, plant and equipment	(8)	(16)
Exceptional charge for GMP equalisation	-	216
Increase in inventories	(186)	(124)
Decrease/(increase) in trade and other receivables	189	(214)
(Decrease)/increase in trade and other payables	(326)	264
Cash generated from operating activities	404	893

6. Dividends

No dividends were paid or declared during 2018 or 2019.

7. Availability of Report and Accounts

The financial statements for the year ended 31 December 2019, containing a notice of the Annual General Meeting will be posted to shareholders shortly.