

The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

H C SLINGSBY PLC
(“Slingsby” or the “Company” or the “Group”)

Audited Results for the year ended 31 December 2020

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, it is unable to proceed at present due to the Coronavirus restrictions.

Results

In the half year statement, I reported an operating profit of £0.5m on sales of £10.5m. I am pleased to report that the full year operating profit (before exceptional items) was £1.3m (2019: £0.4m) on sales of £21.8m (2019: £19.6m). Group sales increased by around 11% which together with an improvement in gross margin led to a profit before taxation and exceptional items of £1.1m (2019: £0.2m). The increase in Group sales is due to demand for Coronavirus related products, as customers sought to continue or restart their operations compliantly.

ESE Direct Limited (“ESE”) contributed £5.9m of sales (2019: £6.4m) and profit before tax and management charges of £0.5m (2019: £0.39m). ESE’s customer base was impacted by the Government lockdown measures resulting from the Coronavirus pandemic. Profit before tax increased, however, due to control of overheads. Overheads were £1.16m in 2020 compared to £1.42m in 2019.

Group earnings before interest, tax, depreciation, amortisation and exceptional items (“EBITDA”) in the year ended 31 December 2020 were £1.7m (2019: £0.9m). Largely as a result of the profit performance, the Group had net cash at 31 December 2020 of £0.3m (2019: net debt of £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 (2019: £nil). However, depending upon trading during 2021 and its level of confidence going forward, the Board’s intention is to re-commence dividend payments to shareholders as soon as it is practicable and prudent to do so.

Pension Scheme

The Company paid £0.3m in deficit reduction contributions during 2020. The Company also continues 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 over £150,000.

At 31 December 2020, the pension scheme deficit increased by £1.6m to £8.2m (2019: £6.6m) largely due to a reduction in the discount rate which had the effect of increasing scheme liabilities outweighing an increase in scheme assets. This deterioration in the pension scheme position decreased Group net assets to £1.2m (2019: £1.7m) despite the profit generated during the year.

During November 2020, a High Court ruling relating to how Guaranteed Minimum Pensions were calculated when members transferred out of the scheme was decided. This decision has the impact of increasing the liabilities of the scheme by requiring trustees to revisit historic transfers and top-up cash equivalent transfer value (CETV) payments that were not adjusted from the unequal effect of GMP. The Company has taken advice from the scheme actuary and considers the impact to be immaterial to the results. A fuller assessment will be made during the current year.

Recent Trading

Group sales in Q1 of 2021 against the same period in 2020 increased by 8%. This improvement in sales offset the impact of a fall in gross margin leading to an unaudited profit before tax in Q1 2021 being in line with that achieved in the same period in 2020 of £0.1m.

The market remains competitive and we are cautious regarding the outlook. This is particularly the case due to significant uncertainty that remains caused by the Coronavirus. Whilst the Group's sales grew in 2020 due to demand for Coronavirus related products, this will not necessarily continue to be the case, particularly for items which are more capital equipment in nature. The Group also benefitted from disruption to supply chains which led to the Group receiving orders for virus related products during 2020 which will not repeat in 2021. As such, it is unclear as to the impact that the virus will have on demand going forward.

In addition, the Group is experiencing significant cost increases particularly for steel, plastic and timber products. We have also experienced exceptionally high shipping costs and delays in receiving goods. These increases impacted on gross margin in Q1 2021 and could continue for the remainder of the year.

Finally, I would like to thank our staff across the Group for their efforts in 2020. The outbreak of Coronavirus presented the Group with operational and organisational challenges which were overcome due to the attitude and hard work of our employees. Across the Group, we remain proud of our position as a key supplier to the NHS and related sectors and worked hard to ensure that we have remained "open for business".

D.S.Slingsby

Interim Executive Chairman

6 May 2021

For further information, please contact:

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Audited Consolidated Income Statement for the year ended 31 December 2020

	Note	2020 (Audited) £'000	2019 (Audited) £'000
Revenue		21,806	19,568
		-----	-----
Operating profit before exceptional items		1,263	446
Exceptional items	2	-	2,726
Operating profit		1,263	3,172
Finance costs		(154)	(285)
		-----	-----
Profit before taxation		1,109	2,887
Taxation		(163)	(552)
		-----	-----
Profit for the year attributable to owners of the parent		946	2,335
		-----	-----
Basic and diluted earnings per share	4	92.3p	233.5p
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Audited Consolidated Statement of Comprehensive Income and Expense for the year ended 31 December 2020

	2020 (Audited) £'000	2019 (Audited) £'000
Profit for the year	946	2,335
Items that will not be classified to profit or loss:		
Re-measurements of post-employment benefit obligation	(1,784)	(1,069)
Movement in deferred tax relating to retirement benefit obligation	339	182
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Other comprehensive (expense)/income	(1,445)	(887)
	-----	-----
Total comprehensive (expense)/income for the year attributable to equity shareholders	(499)	1,448
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Audited Consolidated Balance Sheet as at 31 December 2020

	Note	2020 (Audited) £'000	2019 (Audited) £'000
Assets			
Non-current assets			
Property, plant and equipment		5,084	5,296
Intangible assets		518	610
Goodwill		700	700
Deferred tax asset		1,553	1,115
		-----	-----
		7,855	7,721
		-----	-----
Current assets			
Inventories		2,224	2,134
Trade and other receivables		2,632	2,401
Derivative financial asset		-	-
Cash and cash equivalents		1,781	1,278
		-----	-----
		6,637	5,813
		-----	-----
Liabilities			
Current liabilities			
Trade and other payables		(4,454)	(4,729)
Derivative financial liability		(7)	(8)
Finance lease obligations		(34)	(32)
		-----	-----
		(4,495)	(4,769)
		-----	-----
Net current assets		2,142	1,044
		-----	-----
Non-current liabilities			
Lease obligations		(32)	(66)
Retirement benefit obligation	3	(8,175)	(6,558)
Deferred tax liabilities		(582)	(470)
		-----	-----
Net assets		1,208	1,671
		-----	-----
Capital and reserves			
Share capital		262	250
Share Premium		24	-
Retained earnings		922	1,421
		-----	-----
Total equity		1,208	1,671
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Audited Consolidated Cash Flow Statement for the year ended 31 December 2020

		2020 (Audited) £'000	2019 (Audited) £'000
	Note		
Cash flows from operating activities			
Cash generated from operations	5	1,594	404
Interest paid		(13)	(36)
UK corporation tax paid		(41)	(57)
		-----	-----
Cash generated from operating activities		1,540	311
		-----	-----
Cash flows from investing activities			
Purchase of property, plant and equipment		(108)	(212)
Proceeds from sales of property, plant and equipment		6	20
Purchase of intangible assets		(18)	(83)
		-----	-----
Net cash used in investing activities		(120)	(275)
		-----	-----
Cash flows from financing activities			
Capital element of lease payments		(36)	(36)
Proceeds from share issue		36	-
(Repayment) / proceeds of borrowings		(1,034)	397
Increase / (decrease) in overdraft		117	(577)
		-----	-----
Net cash used in financing activities		(917)	(216)
		-----	-----
Net increase in cash and cash equivalents		503	(180)
		1,278	1,458
Opening cash and cash equivalents		-----	-----
Closing cash and cash equivalents		1,781	1,278
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Audited Consolidated Statement of Changes in Shareholders' Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
1 January 2019	250	-	(27)	223
Profit for the year	-	-	2,335	2,335
Other comprehensive income for the year	-	-	(887)	(887)
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Total comprehensive income for the year	-	-	1,448	1,448
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1 January 2020	250	-	1,421	1,671
Profit for the year	-	-	946	946
Other comprehensive expense for the year	-	-	(1,445)	(1,445)
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Total comprehensive expense for the year	-	-	(499)	(499)
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Issue of shares	12	24	-	36
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31 December 2020	262	24	922	1,208
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Notes to the Audited Results for the year ended 31 December 2020

- The preliminary financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the financial year ended 31 December 2020 but has been extracted from those accounts. The annual accounts for the year ended 31 December 2020 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial information included in this preliminary announcement does not include all the disclosures required in accounts prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and accordingly it does not itself comply with International Accounting Standards in conformity with the requirements of 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 2019. They are also consistent with those in the full accounts for the year ended 31 December 2020 which have yet to be published.

The auditors have reported on the accounts for the year ended 31 December 2020 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 also reported on the accounts for the year ended 31 December 2019 and their opinion was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The auditor drew attention by way of emphasis to a material uncertainty related to going concern.

Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for the financial year ended 31 December 2020 will be delivered following the Company's annual general meeting.

2. Exceptional item	2020 (Audited) £'000	2019 (Audited) £'000
Settlement gain	-	3,069
Goodwill impairment provision	-	(1,034)
Property impairment reversal	-	691
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	-	2,726
	-----	-----
3. Retirement benefit obligation	2020 (Audited) £'000	2019 (Audited) £'000
Present value of funded obligation	25,182	22,005
Fair value of scheme assets	(17,007)	(15,447)
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Net liability in balance sheet	8,175	6,558
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- Profit/(loss) per share

Basic profit per share is based upon a profit of £946,000 (2019: £2,335,000) and on 1,025,000 (2019: 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.

- Cash generated from operating activities

	2020 (Audited)	2019 (Audited)
	£'000	£'000
Profit/(loss) before tax	1,109	2,887
Net finance costs	154	285
Depreciation and amortisation	430	414
Defined benefit pension scheme contributions paid	(304)	(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	(6)	(8)
Increase in inventories	(90)	(186)
(Increase)/Decrease in trade and other receivables	(231)	189
Increase/(Decrease) in trade and other payables	532	(326)
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Cash generated from operating activities	1,594	404
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6. Dividends

No dividends were paid or declared during 2019 or 2020 and the Directors are not proposing any final dividend be payable in respect of the year ended 31 December 2020.

7. Availability of Report and Accounts

The financial statements for the year ended 31 December 2020, containing a notice of the Annual General Meeting will be posted to shareholders shortly.