

HC Slingsby plc

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# Report & Accounts





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## Directors & Advisors

**Directors**  
**D. S. Slingsby – Interim Executive Chairman and Operations Director**  
**M. L. Morris – Financial Director**

**Company Secretary**  
**M. L. Morris**

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**Registered Number**  
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**Registrars**  
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 The Registry  
 34 Beckenham Road  
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 Kent BR3 4TU

**Independent Auditors**  
 RSM UK Audit LLP  
 2 Whitehall Quay  
 Leeds LS1 4HG

**Solicitors**  
 Squire Patton Boggs  
 (UK) LLP  
 2 Park Lane  
 Leeds LS3 1ES

**Financial Advisors & Brokers**  
 Allenby Capital Limited  
 3 St. Helens Place  
 London  
 EC3A 6AB

## Website & E-Mail

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**We are one of the UK market leaders in the distance selling of industrial & commercial equipment.**

We manufacture and distribute over 35,000 high quality products covering everything you need for the workplace from handling and lifting and premises equipment to retail and office supplies, including many new ideas to help keep your business running smoothly.

We are committed to providing our customers with an extensive product range, outstanding service and efficient delivery.

## Board Changes

As reported in my 2016 half year statement, at the Annual General Meeting on 30 June 2016, John Waterhouse was not re-elected by shareholders as a Director of the company. As a result, I was appointed as Interim Executive Chairman and we continue to look to appoint a non-executive chairman. We also continue to search for a new non-executive director which is proving to be more protracted than anticipated due to the ongoing uncertainty regarding the pension fund commitments.

## Results

In that half year statement I reported an operating loss (before exceptional items) of £0.16m on sales of £9.3m. The full year operating loss (before exceptional items) was £0.26m (2015: loss of £10,000) on sales of £18m (2015: £17.1m). Together with exceptional restructuring costs, the full year pre-tax loss was £0.7m (2015: £0.6m).

The results for the year ended 31 December 2016 contain the full year benefit of the ESE Direct Limited ("ESE") acquisition which contributed £6.5m of sales (2015: £4.8m) and £0.2m (2015: £0.1m) operating profit. ESE remains cash generative.

Group earnings before interest, depreciation and amortisation ("EBITDA") in the year ended 31 December 2016 was £0.27m (2015: £0.52m) before exceptional items. Net debt at 31 December 2016 is £1.7m (2015: £1.5m).

## Dividend

In view of the loss in 2016 and the uncertainty around the pension fund commitments, the Board is unable to recommend a final dividend for the year (2015: £nil).

## Pension Scheme

The Company has an obligation to fund its defined benefit pension scheme and contributions to this scheme totalled £270,000 in 2016. This, together with scheme running costs of £160,000, represented a major commitment for the Company to meet. Following the vote to leave the European Union, the pensions scheme deficit has increased as at 31 December 2016 to £9.6m (2015: £8.0m). Mainly as a result of this increase (a net £1.3m after deferred tax movement), as well as the losses incurred during the year, group net assets have declined by £1.9m at 31 December 2016 to £0.4m (2015: £2.3m).

In our half year statement I advised that, with agreement of the pension scheme Trustee, we had from 1 July 2016 suspended deficit reduction contributions (whilst still paying the agreed costs of the scheme) until a longer term solution was found. Discussions are ongoing and so whilst during this time the Company is not paying deficit reduction contributions, there is uncertainty as to the quantum and timing of future payments to the scheme.

## Recent Trading

During 2016, we began to refocus our sales and marketing efforts towards customer acquisition. We simplified and improved the presentation of our later 2016 mailings and 2017 catalogue. In addition, we have reduced overheads and achieved synergies with ESE by combining activities across the Group.

I am pleased to report that these actions have resulted in sales for the first four months of the current financial year being 7% ahead of the comparable period last year. Whilst some of this sales improvement is due to several large orders received in 2016 but delivered in 2017, order intake in 2017 remains ahead of prior year.

Whilst encouraged by this improved trading in the early part of 2017, we remain cautious regarding future trading given the volatility which we have experienced in the recent past.

Finally, I would like to thank our staff across the Group for their efforts in 2016 and 2017. Our performance to date in 2017 gives grounds for optimism but we must maintain our focus to build on what has been achieved.

## D. S. Slingsby

Interim Executive Chairman  
 24 May 2017



## Business overview

The group's principal activity comprises the merchandising and distribution of a highly diversified range of industrial and commercial equipment primarily consisting of incidental purchasing supplies. The range spanning some 35,000 products includes the following sectors: handling and lifting, wheels and castors, ladders and steps, storage and shelving, office, safety and security, workwear, cleaning and hygiene, mailroom and packaging, workshop and maintenance, waste and recycling, premises, lockers and cloakroom, signs and labels, and flooring and matting.

The sector is highly fragmented consisting of a small number of directly comparable distance selling organisations and an increasingly large number of specialist distributors. Our customer base is similarly diverse and consequently demand is reflective of the current market conditions.

The group continues to build upon its strengths in distance selling and to enhance its e-commerce offering. The acquisition of the ESE brand diversified the group into different customer segments with an alternative service proposition and pricing strategy. We believe that deploying e-commerce initiatives with our customers will produce efficiencies as well as growth opportunities. During 2016, we have continued to work with our IT partners to improve our e-commerce offering and to become a true omni-channel business. Our field based sales personnel remain vital in personalising our service offering and in providing bespoke solutions to customers' needs.

Our focus is not only on providing value, choice and quality but moreover to differentiate ourselves by providing excellent knowledge and service in an ever changing regulatory environment. One key way in which we do this is by offering a broad spectrum of specialist publications that have pioneered the provision of knowledge and expertise to the facilities management and occupation health sectors. Next day delivery is offered on a substantial proportion of our lines to further augment our service levels.

During 2016 we continued to generate synergies to augment ESE's contribution to group profitability. ESE now runs the common business IT platform and carries a significant amount of products sourced from Slingsby in its range. Warehousing is carried out at the Slingsby site and certain ecommerce activities are centralised at ESE. Further integration actions will be made during 2017.

The directors believe that the group's strong core brand values of quality, reliability and service excellence remain as true today as they have done over the past 120 years of trading and this is recognised by the number of repeat customers. We believe that this focus on value and service have begun to arrest the decline in sales experienced over recent years.

## Key Performance Indicators and Business Performance

	2016	2015
Sales growth	5.8%	35.5%
Return on capital employed	(181.6%)	(27.4%)
Return on sales	(4.1%)	(3.7%)
Gross profit margin	34.9%	36.6%

Notes:

*Sales growth includes sales from ESE Direct Limited acquired on 27<sup>th</sup> March 2015. Comparable sales growth was (4.4% down).*

*Return on capital employed is calculated as loss before taxation over the total equity at the year end. This has declined due to the reduction in net assets caused by increased losses and the increase in the pension scheme deficit.*

*Return on sales is calculated as loss before taxation over revenue. This has declined due to the increased loss.*

A review of the business is included in the Statement by the Chairman on page 1.

## Principal risks

The directors recognise that there are a number of risks that may affect the performance of the business as below. These risks and uncertainties are subjected to regular review and where appropriate, processes are established to minimise the level of exposure.

## People

The principal asset of the group is the commitment and skill of its people. The retention of these people is therefore key to the success of the business. The group has in place incentive schemes which are related to its results and which allow all employees to participate in the success of the group as a whole.

## Economic and market cycles and volatility

The group's operating performance is influenced by the economic conditions of the regions in which it operates, principally the UK. The continued uncertain economic environment could result in a general reduction in business activity and a consequent loss of income for the group.

## Funding and liquidity risk

The main risk arising from the group's financial instruments is liquidity risk and ensuring that the group has sufficient bank facilities available to meet all short term cash requirements for the foreseeable future. The group purchases a significant amount of its products from overseas suppliers in foreign currencies and uses forward foreign currency contracts. The group's borrowings are on floating rates of interest and so the cost of these facilities would increase should interest rates rise. The Board keeps these risks under regular review.

## Regulatory

We remain fully compliant with all regulatory requirements and constantly monitor changes in laws, regulations and standards relating to employment, safety, environment and quality, to enable us to adapt our policies and procedures accordingly. This ensures we continue to meet customer requirements, minimise business impact and control costs, whilst observing our legal and social responsibilities.

## Approvals

We are committed to continuous improvement in both Quality and Environmental Management. We remain UKAS (UK Accreditation Service) accredited to the international standards ISO 9001:2008 and ISO 14001:2004 respectively.

## Exceptional Items

In 2016 we incurred £102,000 relating to employee termination costs. In 2015, the costs of the acquisition of ESE Direct Limited resulted in an exceptional item of £193,000 and a further exceptional item of £88,000 related to redundancy and compensation costs (total exceptional items £281,000).

## Pensions

The group has an obligation to fund its defined benefit pension scheme and this creates an exposure to interest rates, inflation, investment return and the longevity of the plan members. The group eliminated these risks for future service by the closure of the scheme to future accrual from 31 March 2009; however, the funding of the past service liabilities remains and has the potential to create significant variances in the group's operating profits, cash flow and balance sheet.

Contributions to this scheme totalled £270,000 during 2016 and, together with the substantial costs of running the scheme, represents a significant commitment for the Group to meet. Discussions with the pension Trustee and relevant authorities are ongoing concerning an appropriate longer term solution for the scheme. The quantum and timing of future pension contributions is therefore a significant uncertainty for the company.

## Health and Safety

We meet our statutory and regulatory environmental obligations, through membership of our local Eco-Network and appropriate compliance schemes. The group initiatives in optimising our carbon footprint not only benefit the environment but also reduce our costs.

## Environmental Sustainability

In addition to statutory and regulatory compliance, the group takes pride in its environmental initiatives which have been recognised by winning prestigious awards for carbon reduction.

By order of the Board

**M. L. Morris**  
Company Secretary  
24 May 2017



The directors are pleased to present their annual report and audited consolidated financial statements for the year ended 31 December 2016. Future developments are considered in the Statement by the Chairman on page 1.

H C Slingsby plc is a public limited company with securities traded on the AIM market of the London Stock Exchange. It is incorporated and domiciled in the United Kingdom and based in Baildon, West Yorkshire.

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are as follows:

J.R. Waterhouse (not re-elected 30 June 2016)

D. S. Slingsby

L. R. Wright (resigned 19 May 2016)

M. L. Morris

### Dividends

The following dividends have been proposed for the 2016 financial year:

	£'000
An interim dividend of nil pence per share (2015: 0p per share)	-
The directors recommend a final dividend of nil pence per share (2015: 0p per share)	-

### Directors' Interests

The beneficial interests of the directors and their immediate families in the shares of the company are:

	Number of ordinary shares of 25p each	
	31 December 2016	1 January 2016
J. R. Waterhouse	1,000	1,000
D. S. Slingsby	115,167	115,167
L. R. Wright	-	2,000
M.L. Morris	1,000	1,000

There have been no other changes in the directors' shareholdings between 31 December 2016 the date of this report.

None of the directors had any beneficial interest in any contract of significance to which the company was a party, other than their employment contracts, subsisting during the year.

The holding of D.S.Slingsby includes a non-beneficial interest of 64,000 (2015: 64,000) ordinary shares.

### Going Concern

The directors have prepared trading and cash flow forecasts for the group for the period to 31 December 2018, which assume that the pension scheme contributions will recommence at their previous level. These forecasts indicate that the group will be able to operate within its banking facilities and meet its liabilities as they fall due.

The overdraft element of the group's banking facilities expires on 31 July 2017, however, HSBC Bank plc have indicated their support to renew the facility until at least 31 December 2017. The group's debtor finance facilities remain unaffected.

In preparing the trading and cash flow forecasts the directors have assumed that the overdraft will be renewed beyond 31 December 2017. However, if this was not the case the directors are confident that given the level of security offered by the group's assets, they would be successful in obtaining an alternative source of funding.

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

### Substantial Interests

So far as the directors are aware these were the following substantial interests, other than those included in directors' interests, in the shares of the company at 24 May 2017:

	Number of ordinary Shares of 25p each	Percentage Holding
M. Chadwick*	180,295	18.4%
J. Crowther Jones & Mr. T. E. Jones	54,866	5.5%
J. H. Ridley	54,302	5.4%
C.J. Slingsby	53,886	5.4%
S. E. Slingsby and Mr Hugh Padfield	51,167	5.1%
M. Miller (registered in the name of Platform Securities Nominees Limited)	48,381	4.8%
H. Slingsby	47,138	4.7%
K. J. Williams	37,000	3.7%
S. Whittaker	32,500	3.3%
S. A. Williams	30,835	3.1%
H C Slingsby plc Retirement Benefits Scheme	30,061	3.0%
* 80,995 registered in the name of Goodbody Stockbrokers Nominees Ltd and 99,300 in the name of Rulegale Nominees Limited		

### Financial Instruments

The group's financial instruments comprise cash, forward foreign exchange contracts and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the group's operations.

Financial risk management disclosures are included in note 22 to the financial statements.

### Indemnification of Directors

The company confirms that qualifying third party indemnity insurance cover has been effected in respect of directors' and officers' liability to protect "insured persons" in respect of liabilities devolving on them for wrongful acts arising in the normal conduct of the business. This was in place throughout the last financial year and is currently in force.

### Audit Information

So far as each of the directors is aware, there is no relevant information that has not been disclosed to the company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the company's auditors have been made aware of that information.

### Independent Auditors

A resolution to reappoint RSM UK Audit LLP as the company's auditors and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

### Corporate Governance

The company's statement on corporate governance is included in the Corporate Governance report on page 6 of the financial statements.

By order of the Board

**M. L. Morris**  
Company Secretary  
24 May 2017

The Board recognises the value and importance of high standards of corporate governance. Accordingly, whilst the UK Corporate Governance Code does not apply to AIM companies, the Board intends to observe the requirements of the Corporate Governance Code for small and mid-size companies ("the Code") published by the Quoted Companies Alliance to the extent that they consider appropriate in light of the Group's size and resources.

### The Board

The Board meets formally on a monthly basis and special meetings are convened to discuss matters that require urgent consideration. In view of the size of the group and the close involvement of the directors, informal meetings take place frequently. Accordingly, a register of all meetings has not been kept with which to record attendances. There is a Schedule of Matters specifically reserved for the Board's decision. There is also an established procedure for all directors to take independent professional advice, if necessary, at the company's expense. Additionally, all directors have access to the advice and services of the Company Secretary and the company maintains directors' and officers' liability insurance.

The Board comprises the following:

D. S. Slingsby – Interim Executive Chairman and Operations Director\*  
M. L. Morris – Financial Director and Company Secretary

\* Acting Chairman of both Audit and Remuneration Committees

As noted in the Chairman's statement, the Directors continue their search for a suitable non-executive Director to bring more balance to the composition of the Board.

### Relations with Shareholders

The company is ready, where practicable, to enter into a dialogue with institutional shareholders based on the mutual understanding of objectives. The Board also uses the Annual General Meeting ("AGM") to communicate with private investors. The directors are available to answer questions raised by shareholders at the AGM. The level of proxies lodged on each AGM resolution and the numbers for, against and withheld for each resolution are declared by the Chairman after the resolution has been dealt with on a show of hands.

### Internal Controls

The Board acknowledges that it is responsible for the group's system of Internal Control and for reviewing its effectiveness.

Reflecting the size of the group, a key control procedure is the close day-to-day supervision of the business by the executive directors, supported by the senior management with responsibility for key operations.

The executive directors are involved in the budget setting process, constantly monitoring key performance indicators such as those highlighted in the business review and reviewing the management accounts on a monthly basis, noting and investigating major variances. All significant capital expenditure decisions are approved by the Board as a whole, in line with the Schedule of Matters reserved for the Board.

By order of the Board

**M. L. Morris**  
Company Secretary  
24 May 2017

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRSs adopted by the EU subject to any material departures disclosed and explained in the company financial statements; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**M. L. Morris**  
Company Secretary  
24 May 2017

**Opinion on financial statements**

We have audited the group and parent company financial statements ("the financial statements") on pages 10 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

**In our opinion**

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Respective responsibilities of directors and auditor**

As more fully explained in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Thornton (Senior Statutory Auditor)  
for and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
2 Whitehall Quay  
Leeds  
LS1 4HG

24 May 2017

## Consolidated Income Statement

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Revenue</b>		<b>18,044</b>	17,061
Cost of sales		<u>(11,752)</u>	<u>(10,812)</u>
<b>Gross profit</b>		<b>6,292</b>	6,249
Distribution costs		<b>(3,746)</b>	(3,566)
Administrative expenses		<u>(2,909)</u>	<u>(2,974)</u>
Operating loss before exceptional item		<b>(261)</b>	(10)
Exceptional item	3	<b>(102)</b>	(281)
<b>Operating loss</b>	6	<b>(363)</b>	(291)
Finance income	7	-	1
Finance costs	8	<u>(369)</u>	<u>(342)</u>
<b>Loss before taxation</b>		<b>(732)</b>	(632)
Taxation	9	<b>76</b>	194
<b>Loss for the year attributable to owners of the parent</b>		<b>(656)</b>	(438)
<b>Basic and diluted loss per share</b>	10	<b>(65.6p)</b>	(43.8p)

## Statement of Consolidated Comprehensive Income and Expense

HC Slingsby plc

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Loss for the year</b>		<b>(656)</b>	(438)
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of post-employment benefit obligations	24	<b>(1,555)</b>	242
Movement in deferred tax relating to retirement benefit obligation	16	<b>280</b>	(213)
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange adjustment		<b>31</b>	(13)
<b>Other comprehensive (expense)/income</b>		<b>(1,244)</b>	16
<b>Total comprehensive expense for the year attributable to equity shareholders</b>		<b>(1,900)</b>	(422)

## Statements of Consolidated and Company Changes in Shareholders' Equity

For the year ended 31 December 2016

Group	Note	Share capital £'000	Retained earnings £'000	Translation reserve £'000	Total equity £'000
1 January 2015		250	2,531	4	2,785
Loss for the year		-	(438)	-	(438)
Other comprehensive income/ (expense) for the year		-	29	(13)	16
Total comprehensive expense for the year		-	(409)	(13)	(422)
Dividends paid	12	-	(60)	-	(60)
1 January 2016		250	2,062	(9)	2,303
Loss for the year		-	(656)	-	(656)
Other comprehensive income/ (expense) for the year		-	(1,275)	31	(1,244)
Total comprehensive expense for the year		-	(1,931)	31	(1,900)
Dividends paid	12	-	-	-	-
<b>31 December 2016</b>		<b>250</b>	<b>131</b>	<b>22</b>	<b>403</b>

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

Company	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
1 January 2015		250	2,308	2,558
Loss for the year		-	(447)	(447)
Other comprehensive income for the year		-	29	29
Total comprehensive expense for the year		-	(418)	(418)
Dividends paid	12	-	(60)	(60)
1 January 2016		250	1,830	2,080
Loss for the year		-	(671)	(671)
Other comprehensive expense for the year		-	(1,275)	(1,275)
Total comprehensive expense for the year		-	(1,946)	(1,946)
Dividends paid	12	-	-	-
<b>31 December 2016</b>		<b>250</b>	<b>(116)</b>	<b>134</b>

## Consolidated Balance Sheet

HC Slingsby plc

As at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	5,838	6,102
Intangible assets	14	1,108	1,279
Goodwill	14	2,409	2,409
Deferred tax asset	16	1,733	1,446
		<b>11,088</b>	<b>11,236</b>
<b>Current assets</b>			
Inventories	17	1,811	1,778
Trade and other receivables	18	2,525	2,340
Derivative financial asset	20	-	11
Cash and cash equivalents		632	192
		<b>4,968</b>	<b>4,321</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	(5,517)	(4,653)
Derivative financial liability	20	(13)	-
Finance lease obligations	21	(44)	(44)
		<b>(5,574)</b>	<b>(4,697)</b>
<b>Net current liabilities</b>			
		<b>(606)</b>	<b>(376)</b>
<b>Non-current liabilities</b>			
Finance lease obligations	21	(37)	(66)
Retirement benefit obligation	24	(9,626)	(8,033)
Deferred tax liabilities	16	(416)	(458)
		<b>403</b>	<b>2,303</b>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Share capital	25	250	250
Retained earnings		131	2,062
Translation reserve		22	(9)
<b>Total equity</b>		<b>403</b>	<b>2,303</b>

The financial statements on pages 10 to 35 were approved by the Board of Directors on 24 May 2017 and were signed on its behalf by:

**D. S. Slingsby**  
Director

**M. L. Morris**  
Director

H C Slingsby plc  
Registered Number: 452716



## Company Balance Sheet

As at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	5,710	5,877
Intangible assets	14	258	352
Investments in subsidiaries	15	4,001	4,001
Deferred tax asset	16	1,733	1,446
		<u>11,702</u>	<u>11,676</u>
<b>Current assets</b>			
Inventories	17	1,810	1,731
Trade and other receivables	18	2,005	1,876
Cash and cash equivalents		256	62
Derivative financial asset	20	-	11
		<u>4,071</u>	<u>3,680</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	(5,534)	(4,690)
Derivative financial liability	20	(13)	-
Finance lease obligations	21	(44)	(44)
		<u>(5,591)</u>	<u>(4,734)</u>
<b>Net current liabilities</b>			
		<u>(1,520)</u>	<u>(1,054)</u>
<b>Non-current liabilities</b>			
Finance lease obligations	21	(37)	(66)
Retirement benefit obligation	24	(9,626)	(8,033)
Deferred tax liabilities	16	(385)	(443)
		<u>(10,048)</u>	<u>(8,542)</u>
<b>Net assets</b>			
		<u>134</u>	<u>2,080</u>
<b>Capital and reserves</b>			
Share capital	25	250	250
Retained earnings		(116)	1,830
		<u>134</u>	<u>2,080</u>

The financial statements on pages 10 to 35 were approved by the Board of Directors on 24 May 2017 and were signed on its behalf by:

D. S. Slingsby  
Director

M. L. Morris  
Director

H C Slingsby plc  
Registered Number: 452716

## Consolidated Cash Flow Statement

HC Slingsby plc

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations		(84)	171
Interest payable		(61)	(38)
UK corporation tax received		23	93
		<u>(122)</u>	<u>226</u>
<b>Cash flows from investing activities</b>			
Interest received		-	1
Purchase of property, plant and equipment	13	(98)	(198)
Payment in respect of ESE acquisition		(30)	(3,585)
Proceeds from sales of property, plant and equipment		51	112
Purchase of intangible assets	14	(40)	(26)
		<u>(117)</u>	<u>(3,696)</u>
<b>Cash flows from financing activities</b>			
Equity dividends paid	12	-	(60)
Capital element of finance lease payments		(57)	(20)
New finance leases		27	130
Proceeds from borrowings		50	1,202
		<u>20</u>	<u>1,252</u>
<b>Net cash generated from financing activities</b>			
		<u>(219)</u>	<u>(2,218)</u>
<b>Net decrease in cash and cash equivalents</b>			
Opening cash and cash equivalents		(291)	1,940
Exchange differences		31	(13)
		<u>(479)</u>	<u>(291)</u>

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Cash and cash equivalents</b>				
Cash	632	192	256	62
Overdraft	(1,111)	(483)	(1,111)	(483)
	<u>(479)</u>	<u>(291)</u>	<u>(855)</u>	<u>(421)</u>

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations		(317)	597
Interest payable		(61)	(38)
UK corporation tax received		23	137
<b>Cash (used in) / generated from operating activities</b>		<b>(355)</b>	<b>696</b>
<b>Cash flows from investing activities</b>			
Interest received		-	1
Purchase of property, plant and equipment	13	(60)	(176)
Payment in respect of ESE acquisition		(30)	(3,971)
Proceeds from sales of property, plant and equipment		31	112
Purchase of intangible assets	14	(40)	(26)
<b>Net cash used in investing activities</b>		<b>(99)</b>	<b>(4,060)</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid	12	-	(60)
Capital element of finance leases payments		(57)	(20)
New finance leases		27	130
Proceeds from borrowings		50	1,202
<b>Net cash generated from financing activities</b>		<b>20</b>	<b>1,252</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(434)</b>	<b>(2,112)</b>
Opening cash and cash equivalents		(421)	1,691
<b>Closing cash and cash equivalents</b>		<b>(855)</b>	<b>(421)</b>

**Note to the Cash Flow Statements**

For the year ended 31 December 2016

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Cash (used in)/generated from operating activities</b>				
Loss before tax	(732)	(632)	(760)	(628)
Net finance costs	369	341	369	342
Depreciation and amortisation	527	530	331	382
Profit on sale of property, plant and equipment	(5)	(99)	-	(99)
Pension deficit contributions	(270)	(500)	(270)	(500)
(Increase)/decrease in inventories	(33)	232	(79)	220
(Increase)/decrease in trade and other receivables	(169)	29	(118)	(37)
Increase in trade and other payables	229	270	210	917
<b>Cash (used in)/generated from operating activities</b>	<b>(84)</b>	<b>171</b>	<b>(317)</b>	<b>597</b>

**1. Accounting Policies**

**Basis of Preparation**

The financial accounts are prepared in Sterling, which is the functional currency of the group. Monetary amounts in these statements are rounded to the nearest £'000.

The principal accounting policies adopted in the preparation of these financial statements, which have been applied consistently to all years presented, are set out below.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRS Interpretations Committee (IFRSIC) interpretations as adopted by the EU and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared under the historical cost convention on a going concern basis, except for derivative financial instruments which are measured at fair value through profit or loss.

The group has made a loss for the year of £656,000 (2015 - £438,000) and had net current liabilities at 31 December 2016 of £606,000 (2015 - £376,000).

With the agreement of the pension scheme Trustee the company suspended deficit reduction contributions to the defined benefit pension scheme from 1 July 2016 until a longer term solution to the pension deficit can be found. Discussions are ongoing and therefore there is uncertainty as to the quantum and timing of future payments to the scheme.

The directors have prepared trading and cash flow forecasts for the group for the period to 31 December 2018, which assume that the pension scheme contributions will recommence at their previous level. These forecasts indicate that the group will be able to operate within its banking facilities and meet its liabilities as they fall due.

The overdraft element of the group's banking facilities expires on 31 July 2017, however, HSBC Bank plc have indicated their support to renew the facility until at least 31 December 2017. The group's debtor finance facilities remain unaffected.

In preparing the trading and cash flow forecasts the directors have assumed that the overdraft will be renewed beyond 31 December 2017. However, if this was not the case the directors are confident that given the level of security offered by the group's assets, they would be successful in obtaining an alternative source of funding.

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

**Accounting Developments**

**Impact of new International Financial Reporting Standards**

The group has not adopted any new or amended IFRSs as of 1 January 2016 that have had a material impact on the amounts reported.

A number of new amendments have been issued but are not effective until 1 January 2017 and have not been early adopted. The impact of these new standards and amendments will be assessed in detail prior to adoption, however at this stage the Directors do not anticipate them to have a material impact on the Group.

**Basis of Consolidation**

The financial statements of the group consolidate the financial statements of H C Slingsby plc and its subsidiaries undertakings up to 31 December 2016 using acquisition accounting. Subsidiaries are entities over which the group has the power to govern the financial and operating policies. The results of subsidiary undertakings acquired during a financial period are included from the effective date of acquisition. Intra-Group sales, Intra-Group balances and Intra-Group profits are eliminated fully on consolidation, and consistent accounting policies have been adopted across the group.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values for the assets transferred and the liabilities incurred to the former owners of the acquired. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

**Exceptional Items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

**Accounting Estimates and Judgements**

The preparation of these financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue during the reporting year. Actual results could materially differ from these estimates.

Key sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting year are:

- Assumptions used in the calculation of the defined benefit pension scheme liability (note 24);
- Selection of appropriate rates of amortisation and depreciation for intangible and tangible non-current assets; and
- Allowances against the valuation of inventories (note 17).

Key judgements applied are in respect of:

- Adoption of going concern basis (see Report of the Directors);
- Non-impairment of non-current assets based on expected future performance of the business; and
- Recognition of deferred tax assets based on the availability of suitable future profit streams.

#### Revenue and Recognition of Income

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the goods are dispatched to the customer.

#### Employee Benefits

The group operates a defined benefit and a defined contribution pension scheme for its employees.

Defined benefit scheme: The pension liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme assets. The defined benefit obligation is calculated tri-annually by independent actuaries using the projected unit method and this valuation is updated at each balance sheet date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Past service costs are recognised immediately in income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the statement of comprehensive income in the period in which they arise.

Defined contribution scheme: contributions payable are charged to the income statement in the accounting year in which they are incurred. The group has no further payment obligations once the contributions have been paid to this scheme.

#### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease. Other leases are classified as finance leases.

Assets and liabilities under finance leases are recognised at amounts equal to their fair value and depreciated at rates consistent with similar assets. Payments made are apportioned between finance charges and the reduction in capital value of the liability.

#### Foreign Currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment which the entity operates (the functional currency). The consolidated financial statements are presented in GBP which is the group's presentation currency.

Foreign currency transactions are translated using exchange rates prevailing at the date of the transactions, or, where forward currency contracts have been taken out, at contractual rates. Per IAS 21 assets and liabilities are translated at exchange rates ruling at the end of each financial year. Gains and losses on retranslation are recognised in the income statement.

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at the exchange rates ruling at the end of the financial year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies and from the translation of the results of those companies at average rates are recognised as a separate component of equity and are reported in the statement of comprehensive income.

#### Property, Plant and Equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and any provision for impairment. Cost comprises purchase cost together with any incidental costs of acquisition. Depreciation is provided to write off the cost less the estimated residual value of the property, plant and equipment by equal instalments over their estimated useful economic lives. The asset's residual values and useful economic lives are reviewed, and adjusted as appropriate, at each balance sheet date. The following rates are applied:

Freehold buildings	–	2% per annum
Short leasehold property	–	10% per annum
Equipment	–	10% – 33% per annum

Freehold land is not depreciated.

#### Intangible Assets

Intangible assets are stated at cost less accumulated amortisation. They are recognised if it is possible that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset. The assets are amortised over the period which the group expects to benefit from these assets. Provision is made for any impairment in value if applicable.

IT software costs are amortised on a straight-line basis at a rate of 33% per annum.

Brand and domain names and customer lists are amortised on a straight-line basis at 5% to 33%.

#### Goodwill

Goodwill arising on acquisitions comprises the excess of the fair value of the consideration for investments in subsidiary undertakings over the fair value of the net identifiable assets acquired at the date of the acquisition. Goodwill arising on acquisitions is included in intangible assets.

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest level within the Group at which the associated level of goodwill is monitored for management purposes and are not larger than the operating segments determined in accordance with IFRS8 "Operating Segments".

#### Impairment of non-financial assets

Assets not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

#### Investments

Investments are stated at cost, less provision for impairment where necessary.

#### Deferred Taxation

Deferred taxation is recognised, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred taxation is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the balance sheet date, and are expected to apply when the related deferred taxation asset is realised or deferred taxation liability is settled.

Deferred taxation assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

#### Inventories

Inventories which include raw materials and work in progress, finished goods and goods for resale are stated at the lower of cost and net realisable value. Raw materials are valued on a first in-first out basis. The cost of work in progress and finished goods includes an appropriate proportion of production overheads.

Net realisable value is based on estimated selling price less additional costs to completion or disposal. Allowance is made for obsolete, defective and slow-moving items based on annual usage.

#### Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and subsequently held at amortised cost less provision for impairment. Provisions are made for the difference between the asset's carrying amount and the present value of estimated future cash flows. Subsequent recoveries of amounts previously written off are credited to the Income Statement.

#### Trade Catalogues

Expenditure relating to the production and distribution of the main catalogue and supplementary mailings is written off in the financial statements in the year when the catalogue is produced.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.



**Derivative Financial Instruments**

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. The resulting gain or loss is recognised directly in the income statement. The group does not apply hedge accounting in respect of its financial instruments, nor does it trade in any financial instruments.

**Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**Dividends**

Dividends proposed by the board are recognised in the financial statements when they have been approved by shareholders. Interim dividends are recognised when they are paid.

**Current Taxation**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items that are not taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The tax expense for the year comprises current and deferred tax that is recognised in the Income Statement, except that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

**2. Segmental Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The group only has one business segment, which is its principal activity, being the merchanting and distribution of industrial and commercial equipment. All of the group's revenue, (losses)/profits, assets and liabilities are wholly attributable to that business segment. The operations of the group are based in the UK and the Republic of Ireland. The Republic of Ireland operation makes up less than 10% of the group's revenue and assets, contributing €154,000 (2015: €616,000) and €257,000 (2015: €271,000) respectively.

**3. Exceptional Items**

	2016 £'000	2015 £'000
Redundancy and compensation costs	102	88
Acquisition of ESE	-	193
	<u>102</u>	<u>281</u>

Costs relating to the acquisition of ESE relate to legal, accounting and advisory services together with bank facility costs.

**4. Employee Information**

	2016 £'000	2015 £'000
Staff costs for the company during year:		
Wages and salaries	2,718	2,771
Social security costs	238	244
Other pension costs	148	167
	<u>3,104</u>	<u>3,182</u>

The average monthly number of persons employed by the company during the year was:

	2016 Number	2015 Number
Selling and distribution	83	82
Administration	27	30
	<u>110</u>	<u>112</u>

**5. Directors' Remuneration**

	2016 £'000	2015 £'000
Aggregate emoluments	196	411
Company contributions to money purchase pension scheme	21	19
	<u>217</u>	<u>430</u>
Highest paid director:		
Aggregate emoluments	115	130
Defined benefit scheme accrued pension at end of year	86	86

Two directors have accrued benefits under a deferred benefit scheme (2015: three). One director accrued benefits under a defined contribution pension scheme (2015: one).

Payments in respect of compensation for loss of office totalled £82,556 and are not included above.

**6. Operating Loss**

Operating loss is stated after charging/(crediting):

	2016 £'000	2015 £'000
Profit on disposal of property, plant and equipment	(5)	(99)
Depreciation on property, plant and equipment	282	308
Amortisation of intangible assets	245	222
Operating lease charges		
– land and buildings	36	36
– other	4	4
Foreign exchange losses on operating activities	(27)	13
<b>Services provided by the company's auditors</b>		
Fees payable to the company's auditors for the audit of parent company and consolidated financial statements	32	40
Fees payable to the company's auditors for other services:		
Other audit services pursuant to legislation:		
The audit of Company's subsidiaries pursuant to legislation	6	7
Other services pursuant to legislation:		
Tax services – Compliance	5	10
Advisory	-	1
<b>Total fees payable to the company's auditors</b>	<u>43</u>	<u>58</u>

**7. Finance Income**

	2016 £'000	2015 £'000
Bank interest receivable	-	1

**8. Finance Costs**

	2016 £'000	2015 £'000
Interest payable on bank borrowings	56	36
Interest payable on finance lease liabilities	5	2
Net retirement benefit obligation finance costs (note 24)	<u>308</u>	<u>304</u>
	<u>369</u>	<u>342</u>

**9. Taxation**

	2016 £'000	2015 £'000
<b>Current year</b>		
UK corporation tax:		
– current year	–	–
– adjustments in respect of prior years	<u>(27)</u>	<u>(49)</u>
	<u>(27)</u>	<u>(49)</u>
<b>Deferred tax:</b>		
UK deferred tax:		
– origination and reversal of timing differences	(42)	(115)
– adjustments in respect of prior years	<u>(7)</u>	<u>(30)</u>
	<u>(49)</u>	<u>(145)</u>
<b>Total taxation credit</b>	<u>(76)</u>	<u>(194)</u>

Factors affecting the tax credit for the year:

The tax on the company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

	2016 £'000	2015 £'000
Loss before taxation	(732)	(632)
Tax at the UK corporation tax rate of 20% (2015: 20.25%)	(146)	(128)
Expenses not deductible for tax purposes	15	13
Adjustments to tax in respect of prior years		
– current year	(27)	(49)
– deferred tax	<u>(49)</u>	<u>(30)</u>
Tax credit for the year	<u>(76)</u>	<u>(194)</u>

The standard rate of tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's losses for this accounting period are taxed at an effective rate of 20%. Deferred tax assets and liabilities are measured at a rate of 18% as at 31 December 2016.

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015 and the Finance Bill 2016 on 6 September 2016. These reduce the main rate to 19% from 1 April 2017 and 17% from 1 April 2020.

**10. Loss Per Share**

Basic loss per share is based upon a loss of £656,000 (2015: £438,000) and on 1,000,000 (2015: 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.

**11. Loss for the Financial Year**

As permitted by Section 408 of the Companies Act 2006, the company has not published its own income statement. The result of the company for the financial year was a loss of £671,000 (2015: £447,000).

**12. Dividends**

	2016 £'000	2015 £'000
Interim dividend paid for the 2015 financial year of 0.0p (2014: 2.0p)	–	20
Final dividend paid for the 2015 financial year of 0.0p (2014: 4.0p)	<u>–</u>	<u>40</u>
	<u>–</u>	<u>60</u>

No dividends are proposed for the 2016 financial year as set out in the Report of the Directors.

**13. Property, Plant and Equipment**

Group	Short Leasehold Property £'000	Freehold land and buildings £'000	Equipment £'000	Total £'000
<b>Cost</b>				
1 January 2015	–	6,665	2,229	8,894
Additions	5	–	193	198
Acquisition of subsidiary (note 28)	114	–	313	427
Disposals	–	–	(330)	(330)
1 January 2016	<u>119</u>	<u>6,665</u>	<u>2,405</u>	<u>9,189</u>
Additions	–	6	58	64
Disposals	–	–	(205)	(205)
<b>31 December 2016</b>	<u>119</u>	<u>6,671</u>	<u>2,258</u>	<u>9,048</u>
<b>Accumulated depreciation</b>				
1 January 2015	–	913	2,029	2,942
Acquisition of subsidiary	23	–	131	154
Charge for the year	7	105	196	308
Disposals	–	–	(317)	(317)
1 January 2016	<u>30</u>	<u>1,018</u>	<u>2,039</u>	<u>3,087</u>
Charge for the year	11	106	165	282
Disposals	–	–	(159)	(159)
<b>31 December 2016</b>	<u>41</u>	<u>1,124</u>	<u>2,045</u>	<u>3,210</u>
<b>Net book amount</b>				
<b>At 31 December 2016</b>	<u>78</u>	<u>5,547</u>	<u>213</u>	<u>5,838</u>
At 31 December 2015	<u>89</u>	<u>5,647</u>	<u>366</u>	<u>6,102</u>
At 31 December 2014	–	5,752	200	5,952

HC Slingsby PLC Retirement Benefits Scheme holds a charge over the company's freehold land and buildings. HSBC Bank plc holds charges over all of the assets and undertakings of the Group and a fixed charge over the freehold land and buildings.

**13. Property, Plant and Equipment (continued)**

Equipment includes the following amounts where the group is lessee under finance leases:

	Group and Company	
	2016 £'000	2015 £'000
Cost of assets subject to finance leases	144	144
Accumulated depreciation	(45)	(20)
	<u>99</u>	<u>124</u>

The group leases various motor vehicles under non-cancellable finance lease agreements. The assets are leased on a term of 3 years.

Company	Freehold land and buildings £'000	Equipment £'000	Total £'000
	<b>Cost</b>		
1 January 2015	6,665	2,229	8,894
Additions	-	174	174
Disposals	-	(330)	(330)
1 January 2016	6,665	2,073	8,738
Additions	6	54	60
Disposals	-	(157)	(157)
<b>31 December 2016</b>	<b>6,671</b>	<b>1,970</b>	<b>8,641</b>
<b>Accumulated depreciation</b>			
1 January 2015	913	2,029	2,942
Charge for the year	105	131	236
Disposals	-	(317)	(317)
1 January 2016	1,018	1,843	2,861
Charge for the year	106	91	197
Disposals	-	(127)	(127)
<b>31 December 2016</b>	<b>1,124</b>	<b>1,807</b>	<b>2,931</b>
<b>Net book amount</b>			
<b>At 31 December 2016</b>	<b>5,547</b>	<b>163</b>	<b>5,710</b>
At 31 December 2015	5,647	230	5,877
At 31 December 2014	5,752	200	5,952

Depreciation is charged to administrative expenses in the Income Statement.

**14. Intangible Assets**

	Group Goodwill £'000	Brand and Domain Names and Customer Lists £'000	Group IT Software and Trademarks £'000	TOTAL £'000	Company IT Software £'000
<b>Cost</b>					
1 January 2015	--	--	775	775	775
Additions– Acquisition of subsidiary	2,409	1,000	30	1,030	25
1 January 2016	2,409	1,000	805	1,805	800
Additions	--	--	74	74	40
<b>31 December 2016</b>	<b>2,409</b>	<b>1,000</b>	<b>879</b>	<b>1,879</b>	<b>840</b>
<b>Accumulated amortisation</b>					
1 January 2015	--	--	302	302	302
Charge for the year	--	75	147	222	146
Acquisition of subsidiary	--	--	2	2	-
1 January 2016	--	75	451	526	448
Charge for the year	--	100	145	245	134
<b>31 December 2016</b>	<b>--</b>	<b>175</b>	<b>596</b>	<b>771</b>	<b>582</b>
<b>Net book amount</b>					
<b>At 31 December 2016</b>	<b>2,409</b>	<b>825</b>	<b>283</b>	<b>1,108</b>	<b>258</b>
At 31 December 2015	2,409	925	354	1,279	352
At 31 December 2014	--	--	473	473	473

Amortisation is charged to administrative expenses in the Income Statement.

On 27 March 2015, the Company purchased 100% of the share capital of ESE Direct Limited. Goodwill of £2.4m arose on the acquisition.

In 2016, the acquired business contributed revenue of £6.5m (2015:£4.8m) and profit before tax of £0.2m (2015:£0.1m) before management charges) to the group.

**Goodwill monitoring**

Goodwill is monitored by management at the Cash Generating Unit (“CGU”) level. A CGU is considered to be an individual company. The goodwill recognised on the acquisition of ESE Direct Limited has been tested for impairment using the following assumptions:

- Budgets for the next 5 years
- Extrapolation of expected future cash flows using a terminal growth rate of 2%
- Sales growth of between 2 and 6 %
- Capital expenditure of between £35,000 and £20,000 per annum
- Gross margins projected based on recent trends
- Pre-tax discount rate of 15%

On the above basis, the directors consider that there are no reasonably possible changes to a key assumption which would give rise to an impairment charge.

The Directors performed sensitivity analysis on the basis of sales growth at 50% of assumed levels. At these reduced levels there would be no impairment of goodwill.



**15. Investment in Subsidiary**

On 27 March 2015 the Company acquired 100% of the issued share capital of ESE Direct Limited. The cost and carrying value of this investment is £4m which the Directors believe is supported by the underlying net assets and their future cash generation. This investment represents the whole of the amount shown in the company's balance sheet.

Slingsby Mail Order Limited, is incorporated in the Republic of Ireland. The results are fully consolidated in the group financial statements. Its principal activity is the merchandising of materials handling and distribution equipment. The company owns 100% of its €1 ordinary share capital. The carrying value of this investment is considered impaired and has been fully provided against.

The Company directly owns 100% of the issued share capital of the following subsidiary undertakings, registered in England and Wales except for Slingsby Mail Order Limited which is registered in the Republic of Ireland.

Company	Business Activity
Slingsby Mail Order Limited	Distribution of Industrial and Commercial Equipment
ESE Direct Limited	Distribution of Industrial and Commercial Equipment
Eastern Storage Limited	Dormant
ESE Projects Limited	Dormant
Eastern Storage Equipment Limited	Dormant
Slingsby Trading Post Limited	Dormant
Slingsby Manufacturing Limited	Dormant
Slingsby Metro Equipment Limited	Dormant

**16. Deferred Tax**

The deferred tax balances in these financial statements are attributable to the following:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Deferred tax asset</b>				
Pension liability	<u>1,733</u>	<u>1,446</u>	<u>1,733</u>	<u>1,446</u>
<b>Deferred tax liabilities</b>				
Short term timing differences	<u>(249)</u>	<u>(291)</u>	<u>(218)</u>	<u>(276)</u>
Rolled over capital gain	<u>(167)</u>	<u>(167)</u>	<u>(167)</u>	<u>(167)</u>
	<u>(416)</u>	<u>(458)</u>	<u>(385)</u>	<u>(443)</u>

The deferred tax asset relates to the deficit on the company's defined benefit pension scheme. The company is making payments into this scheme to reduce the deficit and the corresponding asset will reduce in line with these reductions. As movements in the pension deficit arise from changes in actuarial assumptions as well as from deficit reduction payments (see note 24), it is difficult to forecast the movement in the related deferred tax asset.

Movements in deferred tax assets/(liabilities) are as follows:

Group	Pension liability £'000	Short term timing differences £'000	Rolled over capital gain £'000	Total £'000
1 January 2015	1,694	(419)	(185)	1,091
Acquired on acquisition of ESE	-	(35)	-	(35)
(Charged)/credited to income statement	(35)	162	18	145
Credited to equity	<u>(213)</u>	-	-	<u>(213)</u>
1 January 2016 – Group and Company	1,446	(291)	(167)	988
Credited to income statement	7	42	-	49
Credited to equity	<u>280</u>	-	-	<u>280</u>
<b>31 December 2016</b>	<u>1,733</u>	<u>(249)</u>	<u>(167)</u>	<u>1,317</u>

**16. Deferred Tax (continued)**

Company	Pension liability £'000	Short term timing differences £'000	Rolled over capital gain £'000	Total £'000
1 January 2015	1,694	(424)	(185)	1,085
(Charged)/credited to income statement	(35)	148	18	131
Credited to equity	<u>(213)</u>	-	-	<u>(213)</u>
1 January 2016	1,446	(276)	(167)	1,003
Credited to income statement	7	58	-	65
Credited to equity	<u>280</u>	-	-	<u>280</u>
<b>31 December 2016</b>	<u>1,733</u>	<u>(218)</u>	<u>(167)</u>	<u>1,348</u>

**17. Inventories**

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Raw materials and work in progress	<u>178</u>	<u>215</u>	<u>178</u>	<u>168</u>
Finished goods and goods for resale	<u>1,633</u>	<u>1,563</u>	<u>1,632</u>	<u>1,563</u>
	<u>1,811</u>	<u>1,778</u>	<u>1,810</u>	<u>1,731</u>

Inventories are presented net of provisions for write-downs, based on management's estimate of net realisable value. The amount charged to the income statement in respect of write-downs of inventories was £19,000, (2015: £24,000). The cost of inventories recognised as an expense and included in the group's cost of sales was £11,580,000 (2015: £10,089,000) and £7,325,000 (2015: £6,802,000) for the company. The provision for obsolete stock at the year end is £403,000 (2015: £387,000).

**18. Trade and Other Receivables**

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade receivables	<u>2,157</u>	<u>2,013</u>	<u>1,638</u>	<u>1,642</u>
Receivables from subsidiary	-	-	<u>54</u>	<u>13</u>
Prepayments	<u>368</u>	<u>327</u>	<u>313</u>	<u>221</u>
	<u>2,525</u>	<u>2,340</u>	<u>2,005</u>	<u>1,876</u>

Trade and other receivables are non-interest bearing. There is no material difference between the carrying amount and the fair value of trade and other receivables.

Trade receivables are presented net of provision for doubtful trade receivables. Provisions are estimated by management based on past default experience and other factors as considered appropriate. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

**18. Trade and Other Receivables (continued)**

Movements on the group and company provisions for impairment of trade receivables are:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
At 1 January 2016	18	16	18	16
Provision made for impaired receivables	46	19	38	19
Unused provision reversed	(11)	(10)	(11)	(10)
Receivables written off during the year as uncollectable	(8)	(7)	(6)	(7)
At 31 December 2016	<u>45</u>	<u>18</u>	<u>39</u>	<u>18</u>

Receivables due from subsidiary were not impaired at 31 December 2016 and 31 December 2015.

At 31 December 2016 group trade receivables of £45,000 (2015: £18,000) and company trade receivables of £39,000 (2015: £18,000) were impaired. The amount of provision is the full gross amount due. The receivables are considered to be impaired as they have either been disputed by the respective customers or the customers are in financial difficulty. The ageing of these receivables is as follows:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Up to three months over terms	5	-	3	-
Over three months over terms	40	18	36	18
	<u>45</u>	<u>18</u>	<u>39</u>	<u>18</u>

At 31 December 2016 group trade receivables of £1,023,000 (2015: £866,000) and company trade receivables of £617,000 (2015: £835,000) were past due but not impaired. Overdue receivables against which no provision has been made relate to customers for whom there is no recent history of default or any other indication that settlement will not be forthcoming. The ageing of these receivables is as follows:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Up to three months over terms	862	840	572	809
Over three months over terms	161	26	45	26
	<u>1,023</u>	<u>866</u>	<u>617</u>	<u>835</u>

Receivables that are neither past due nor impaired are within credit limits for the respective customer and the directors are not aware of any reasons that indicate the amounts due are disputed or not collectable. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable shown above. The group does not hold any collateral as security.

The carrying amounts of the group's and company's receivables are denominated in the following currencies:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Pound sterling	2,504	2,278	1,984	1,876
Euro	21	62	21	-
	<u>2,525</u>	<u>2,340</u>	<u>2,005</u>	<u>1,876</u>

**19. Trade and Other Payables**

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	2,416	2,248	1,734	1,768
Payables to subsidiaries	-	-	930	822
Other taxation and social security payable	276	338	200	236
Other payables	12	12	11	12
Accruals	450	370	296	167
Debt financing and overdraft	2,363	1,685	2,363	1,685
	<u>5,517</u>	<u>4,653</u>	<u>5,534</u>	<u>4,690</u>

Trade and other payables are non-interest bearing. There is no material difference between the carrying amount and the fair value of trade and other payables.

The Group's debtor finance and overdraft facilities (provided by HSBC Bank plc) carry interest rates of 4.25% and 2.55%-4% above the prevailing Bank of England Base Rate respectively. The overdraft element of the Group's banking facilities expires on the 31 July 2017 but HSBC Bank plc have indicated their support to extend the facility until at least 31 December 2017. Our debtor finance facilities remain unaffected. The Group debtor finance facility is a total of £3m (subject to suitable debt being available) and the overdraft facility is the sum of £750,000.

**20. Derivative Financial Instruments**

	Group and Company			
	Assets		Liabilities	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Forward foreign currency contracts and options	-	11	13	--

Gains and losses on the carrying value of forward foreign currency contract assets and liabilities are recognised in the income statement. The forward foreign currency contracts existing at the year end mature in 2017. They have been valued using year end market data.

**21. Borrowings**

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Finance Leases</b>				
The future minimum finance lease payments are as follows:				
Not later than one year	48	48	48	48
Later than one year and not later than five years	41	73	41	73
Total gross payments	89	121	89	121
Impact of finance charges	(8)	(11)	(8)	(11)
Carrying value of liability	<u>81</u>	<u>110</u>	<u>81</u>	<u>110</u>

The finance lease liabilities relate to motor vehicles leased on a term of 3 years.

**22. Financial Risk Management**

In the normal course of business the group and company is exposed to certain financial risks, principally foreign exchange risk, interest rate risk, liquidity risk and credit risk.

The principle financial instruments used by the group from which financial risk arises are as follows:

	2016 £'000	2015 £'000
<b>Financial assets</b>		
Trade receivables (note18)	2,157	2,013
Forward foreign currency contracts and options (note 20)	-	11
Cash and cash equivalents	<u>632</u>	<u>192</u>
	<u>2,789</u>	<u>2,216</u>
	2016 £'000	2015 £'000
<b>Financial liabilities</b>		
Debt financing and overdraft (note19)	2,363	1,685
Trade payables (note 19)	2,416	2,248
Other payables (note 19)	12	12
Forward foreign currency contracts and options (note 20)	<u>13</u>	<u>-</u>
	<u>4,804</u>	<u>3,945</u>

**Foreign Exchange Risk**

The group is exposed to foreign exchange risk from purchasing a portion of its supplies in foreign currencies. The company enters into forward foreign currency contracts to manage its exposure to currency fluctuations that arise on purchase contracts denominated in foreign currencies.

The carrying value of the group's foreign currency denominated financial assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Euros	21	62	78	71
Dollars	<u>14</u>	<u>19</u>	<u>-</u>	<u>-</u>

**Interest Rate Risk**

The group's and company's exposure to interest rate risk arises on its debtor finance and overdraft facilities. These are based on floating rates of interest. Accordingly should interest rates increase, the group and company's interest cost would rise. The group does not use interest rate hedges.

**Liquidity Risk**

In the normal course of business the group and company is exposed to liquidity risk. The objective is to ensure that sufficient resources are available to fund short term working capital and longer term strategic requirements. This is achieved through ensuring that the group has sufficient cash and borrowing facilities in place.

**Credit Risk**

Credit risk principally arises on cash deposits and trade receivables. The credit risk arising on cash deposits is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies. The credit risk arising on trade receivables is spread over large numbers of customers. There are no significant concentrations of credit risk.

**Sensitivity Analysis**

There is not expected to be a material impact on reported results and the balance sheet relating to the above risks.

**23. Capital Risk Management**

The capital structure of the group consists of cash, equity, debtor finance and overdraft. The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the capital structure the group may adjust the amount of dividends paid to shareholders. This situation is monitored using budgets and by calculation of a gearing ratio (debtor financing and overdraft less cash/net assets). At 31 December 2016, the gearing ratio was 430% (2015:65%).

**24. Pension Commitments****Group and Company****Retirement Benefit Obligations**

At 31 December 2016 H C Slingsby plc ("the Company") operated pension schemes for the benefit of its employees. The schemes are provided through both defined benefit and defined contribution arrangements. This disclosure is concerned only with the defined benefit arrangement, the H C Slingsby plc Retirement Benefits Scheme ("the Scheme"). The liability associated with the Scheme is material to the Company.

The Company's objective is for the Scheme to target 100% funding on a basis that should ensure that benefits can be paid as they fall due.

Any shortfall in the assets directly held by the Scheme, relative to its funding target, will be financed over a period that ensures the contributions are reasonably affordable to the Company. The expected contribution to the Scheme over the 2017 fiscal year is subject to the outcome of discussions between the Company and the appropriate authorities. The defined benefit scheme was closed to new entrants in 2006 and to future accrual in 2009.

**Nature of Scheme**

The Scheme targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" plan). The pension receives inflation-linked increases in the years before retirement. Once in payment, pensions either do not increase or increase in line with inflation or a fixed rate. The Scheme was closed to future accrual in 2009.

It is governed by a sole corporate Trustee that has control over its operation, funding and investment strategy. The Trustee will consult with the Company on certain matters.

**Funding the liabilities**

UK legislation requires the Trustee to carry out valuations at least every three years and to target full funding against a basis that prudently reflects the Scheme's risk exposure. The most recent valuation was carried out as at 1 January 2014 and a shortfall of £7.5m against the Trustee's funding objective was identified. The Company agreed to pay annual contributions of £540,000 (£500,000 in 2015) to remove the shortfall over 14 years. An amount of £270,000 was paid in 2016. Deficit reduction contributions are suspended pending discussion between the Company and the relevant authorities.

The weighted average duration of the defined benefit obligation is 20.4 years.

**Investment strategy**

Approximately 53% of the Scheme's assets are held in equity type assets, and 47% are held in long term fixed interest and inflation linked securities. Included within the fair value of the Scheme assets are 30,061 of the company's shares, with a fair value of £22,000 as at 31 December 2016.

The Scheme's liabilities are calculated using a discount rate set with reference to corporate bond yields; if Scheme assets underperform this yield, this will increase the deficit. The Scheme holds a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. As the Scheme matures, the expectation is that the Trustee would reduce the level of investment risk by investing more in assets that better match the liabilities. In essence this would see a gradual sale of equities and the purchase of gilts and corporate bonds. The company is of the view that, due to the long term nature of the Scheme's liabilities, it is appropriate to continue with a degree of equity investment so as to manage the Scheme's long term liabilities efficiently.

The Trustee has derived its investment strategy, in consultation with the company, so as to reflect the Scheme's long term liabilities. At the current time approximately 50% of the Scheme's assets are invested in long term fixed interest and inflation linked securities of a duration that broadly matches the duration of benefit payments. The balance is invested in a diversified portfolio of global equity type assets. Both the Trustee and the company believe that equities offer the best returns over the long term with an acceptable level of risk. The Scheme's investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

It should be noted that the Trustee has sole responsibility for setting the investment strategy for the Scheme, albeit the company is consulted over any change to investment strategy. The processes used to manage risks within the Scheme have not changed from previous periods. Derivatives are not used to manage risks within the Scheme.



**24. Pension Commitments (continued)****Other risks**

Actions taken by the local regulator, or changes to European legislation, could result in stronger local funding standards, which could materially affect the company's cash flow.

There is a risk that changes in the assumptions for discount rate, price inflation or life expectancy could result in an increase in the deficit in the Scheme. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

**Winding up**

Although currently there are no plans to do so, with the company's approval, the Trustee could choose to wind up the Scheme in which case the benefits would have to be bought out with an insurance company. The cost of buying-out benefits would be significantly more than the defined benefit obligation calculated in accordance with IAS 19 (revised).

The measurement of the company's net defined benefit liability is particularly sensitive to changes in certain key assumptions, which are:

Discount rate	This has been selected following actuarial advice received, taking into account the duration of the liabilities. An increase or decrease in the discount rate of 0.25% would result in a decrease or increase of approximately £1.4m in the present value of the defined benefit obligation.
Inflation	The methodology used to derive the assumption adopted is consistent with discount rate methodology. An increase or decrease in the inflation rate of 0.25% would result in an increase or decrease of approximately £0.1m in the present value of the defined benefit obligation.
Mortality rates	The mortality assumptions adopted are based on actuarial advice received and reflect the most recent information as appropriate. The assumptions used indicate that the future life expectancy of a male (female) pensioner reaching age 65 in 2016 would be 21.4 (23.5) years and the future life expectancy from age 65 for a male (female) non-pensioner member currently aged 45 of 23.1 (25.4) years.  The increase or decrease in the present value of the defined benefit obligation due to a member living one year longer, or one year less, would be approximately £1m.

The methods used to carry out the sensitivity analyses presented above for the material assumptions are the same as those the company has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remained the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another.

**Year ended 31 December 2016**

The company's policy is to recognise actuarial gains and losses immediately in full each year. The company operates a scheme in the UK with a final salary section. A full actuarial valuation was carried out as at 1 January 2014 and updated to 31 December 2016 by a qualified independent actuary.

**Reconciliation of the present value of the defined benefit obligation**

	2016 £'000	2015 £'000
Present value of defined benefit obligation at beginning of year	21,993	22,397
Interest cost	845	817
Effect of changes in financial assumptions	4,592	(582)
Benefits paid	<u>(638)</u>	<u>(639)</u>
Present value of defined benefit obligation at end of year	<u>26,792</u>	<u>21,993</u>

**24. Pension Commitments (continued)****Reconciliation of fair value of scheme assets**

	2016 £'000	2015 £'000
Fair value of scheme assets at start of year	13,960	13,926
Interest income	537	513
Return on scheme assets	3,037	(340)
Contributions by the Company	270	500
Benefits paid	<u>(638)</u>	<u>(639)</u>
Fair value of scheme assets at end of year	<u>17,166</u>	<u>13,960</u>

**Amounts to be recognised in the balance sheet**

	2016 £'000	2015 £'000
Present value of funded obligation	26,792	21,993
Fair value of scheme assets	<u>(17,166)</u>	<u>(13,960)</u>
Net liability in balance sheet	<u>9,626</u>	<u>8,033</u>

**Amounts to be recognised in the income statement**

	2016 £'000	2015 £'000
Interest on obligation	845	817
Interest income on scheme assets	<u>(537)</u>	<u>(513)</u>
Total expense	<u>308</u>	<u>304</u>

**Total amount recognised in the statement of consolidated income SOCI**

	2016 £'000	2015 £'000
Actuarial loss/(gain)	1,555	(242)
Actuarial loss/(gain) recognised in SOCI	<u>1,555</u>	<u>(242)</u>

	2016 £'000	2015 £'000
Defined benefit scheme net interest charge	308	304
Defined contribution scheme	<u>148</u>	<u>167</u>
	<u>456</u>	<u>471</u>

**Pension cost**

Defined benefit scheme net interest charge	308	304
Defined contribution scheme	<u>148</u>	<u>167</u>
	<u>456</u>	<u>471</u>

**24. Pension Commitments (continued)****Scheme assets**

	2016 %	2016 £'000	2015 %	2015 £'000
Equities	53	9,050	50	7,045
Gilts and bonds	47	8,115	50	6,915
Total scheme assets	100	17,165	100	13,960
Expected rate of return on scheme assets		3.9%		3.7%

At 31 December 2016 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The fair value of the scheme as a percentage of total scheme assets and target allocations is set out above.

**Amount of Company related investments included in fair value of assets**

	2016 £'000	2015 £'000
Company's own financial instruments	22	64

**Principal actuarial assumptions at the Balance Sheet date:**

The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date. The key financial assumptions are set out below:

	2016	2015
Discount rate	2.70%	3.90%
Long term rate of return on assets	2.70%	3.90%
RPI Inflation	3.30%	3.10%
CPI Inflation	2.20%	2.10%
Pension increases:		
Non-Executive pension accrued before 1 January 1992 (0% fixed)	0.00%	0.00%
Non-Executive pension accrued after 1 January 1992 (RPI max 5%)	3.10%	3.10%
Executive pension accrued before 1 January 1992 (4% fixed)	4.00%	4.00%
Executive pension accrued after 1 January 1992 (RPI min 4%, 5% max)	4.20%	4.20%
Pre and post retirement mortality		
Retiring today:		
Males	86.4	87.0
Females	88.1	89.4
Retiring in 20 years:		
Males	88.5	88.8
Females	90.4	91.3
Cash commutation	25% of pension at age 65 at a rate of 13.0:1	25% of pension at age 65 at a rate of 12.5:1

**Mortality Assumption; Base mortality table**

- Males – standard table SINMA (appropriate to the members' years of birth)
- Females – standard table SINFA (appropriate to the members' years of birth)

A scaling factor of 105% has been applied to the notes under the standard tables. An allowance for future improvements has been made in line with the CMI 2013 Core Regulations assuming a long term annual note of improvement in mortality rates of 1.25% for men and women.

**24. Pension Commitments (continued)****Defined Contribution Scheme**

The company commenced the operation of a defined contribution scheme on 1 October 2006. Contributions payable by the company to the defined contribution scheme of £120,000 (2015: £148,000) have been charged to operating profit. ESE Direct Limited also provided a defined contribution scheme in respect of certain employees. Contributions payable to that scheme of £14,000 (from 1 April 2015 to 31 December 2015 totalled £7,000) and have been charged to operating profit.

**25. Share Capital****Ordinary shares of 25p****Authorised**

At 1 January and 31 December

	2016 Number	2016 £'000	2015 Number	2015 £'000
At 1 January and 31 December	1,200,000	300	1,200,000	300

**Allotted, called up and fully paid**

At 1 January and 31 December

At 1 January and 31 December	1,000,000	250	1,000,000	250
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The company has one class of Ordinary shares which carry no right to fixed income. Each carries a right to vote at general meetings of the company.

**26. Operating Lease Commitments**

At 31 December 2016, the group had the following outstanding future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016 £'000	2015 £'000
Operating leases commitments:		
within one year	36	51
in more than one year but less than five years	144	148
more than 5 years	33	72

Operating lease charges recognised in the income statement as shown in note 6 and arise in respect of property leases.

**27. Related Party Transactions****Key Management**

Key management personnel comprise the group's executive directors. Their remuneration is set out in note 5. Included within director's remuneration is the amount £63,713 (2015:£30,345) to Morris and Daughters Limited for the services of Morgan Morris who is a director and shareholder in that company. At 31 December 2016, £nil (2015:£1,995) was outstanding.

There were no other transactions with key management.

**Company – Transactions With Subsidiaries**

Sales amounting to £99,000 (2015: £394,000) were made by HC Slingsby plc to Slingsby Mail Order Limited.

Amounts due to Slingsby Mail Order Limited at 31 December 2016 were £202,000 (2015: £122,000).

Sales amounting to £462,935 (2015:£78,268) were made by HC Slingsby plc to ESE Direct Limited.

Purchases amounting to £2,287(2015:£13,654) were made to HC Slingsby plc by ESE Direct Limited.

Amounts due to ESE Direct Limited were £nil (2015:£nil) in respect of trading activities and £728,215 (2015: £701,000) in respect of an inter-company loan.

Amounts due from ESE Direct Limited were £54,000 (2015:£13,054).

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
<b>Income Statement</b>					
Turnover	18,044	17,061	12,587	13,965	14,588
Gross profit	6,292	6,249	5,038	5,502	6,155
Operating (loss)/profit before exceptional item	(261)	(10)	92	137	489
Exceptional item	(102)	(281)	(193)	-	129
(Loss)/profit before tax	(732)	(632)	(453)	(249)	102
(Loss)/profit for the financial year	(656)	(438)	(299)	(95)	172
(Loss)/earnings per share – basic and diluted	<u>(65.6p)</u>	<u>(43.8p)</u>	<u>(29.9p)</u>	<u>(9.5p)</u>	<u>17.2p</u>
<b>Dividend Per Ordinary Share*:</b>					
– Interim	0.0p	0.0p	2.0p	2.0p	4.0p
– Final	<u>0.0p</u>	<u>0.0p</u>	<u>4.0p</u>	<u>10.0p</u>	<u>15.0p</u>
<b>Cash Flow Statement</b>					
Cash (used in)/generated by operating activities	<u>(84)</u>	<u>171</u>	<u>(169)</u>	<u>166</u>	<u>1,041</u>
<b>Balance Sheet</b>					
Net current (liabilities)/assets	(607)	(376)	3,740	4,122	4,808
Net assets	403	2,303	2,785	3,688	2,949
Cash and cash equivalents	<u>632</u>	<u>192</u>	<u>1,940</u>	<u>2,325</u>	<u>2,836</u>

\* Dividends per ordinary share are stated in respect of the years to which they relate. This is not the same as the years in which they are recognised in the financial statements.

**Notice is given** that the sixty-ninth Annual General Meeting of H C Slingsby plc (“the Company”) will be held at the HC Slingsby plc, Otley Road, Baildon, Shipley, West Yorkshire BD17 7LW on 28 June 2017 at 10am for the following purposes:

**To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:**

1. To receive the Company’s annual accounts for the financial year ended 31 December 2016 together with the Directors’ reports and auditor’s report on those accounts.
2. To re-elect as a Director, Dominic Slingsby who retires from the Board in accordance with the Company’s articles of association.
3. To reappoint RSM UK Audit LLP as auditors of the Company to hold office until the end of the next general meeting at which accounts are laid before the Company.
4. To authorise the Directors of the Company to determine the remuneration of the auditors.
5. In substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this Resolution, to authorise the Directors of the Company pursuant to section 551 of the Companies Act 2006 (the “Act”) to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act):
  - 5.1 up to an aggregate nominal amount of £83,250; and
  - 5.2 comprising equity securities up to a nominal amount of £166,750 (including within such limit any equity securities issued under paragraph 5.1 above) in connection with an offer by way of a rights issue:
    - (a) to holders of ordinary shares of 25 pence each in the capital of the Company (“Ordinary Shares”) in proportion (as nearly as may be practicable) to their existing holdings; and
    - (b) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any matter.

The authority granted by this Resolution shall (unless previously revoked, varied or extended by the Company in general meeting) expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on the date falling 15 months from the date of the passing of this Resolution, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if this authority had not expired.

**To consider and, if thought fit, to pass the following resolution as a special resolution:**

- 6.1 Subject to the passing of resolution 5, to authorise the Directors to allot equity securities (as defined in section 560 of the Act) of the Company for cash under the authority given by resolution 5 and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the Act, in either case as if section 561(1) of the Act did not apply to such allotment provided that such authority shall be limited:
  - (a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph 5.2 of resolution 5, by way of a rights issue only):
    - (i) to the holders of the Ordinary Shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares;
    - (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements as the Directors may otherwise consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
  - (b) in the case of the authority granted under paragraph 5.1 of resolution 5 and/or in the case of any transfer of



treasury shares which is treated as an allotment of equity securities under section 560(2)(b) of the Act, to the allotment otherwise than pursuant to paragraph 6.1(a) above, of equity securities up to an aggregate nominal value equal to £12,500;

provided that such power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or, if earlier, on the date falling 15 months from the date of the passing of this Resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

6.2 Subject to the passing of resolution 5, and in addition to any authority granted under Clause 6.1 of this resolution, to authorise the Directors to allot equity securities (as defined in section 560 of the Act) of the Company for cash under the authority given by resolution 5 and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the Act, in either case as if section 561(1) of the Act did not apply to such allotment provided that such authority shall be:

- (a) limited to the allotment of equity securities up to an aggregate nominal amount of £12,500; and
- (b) used only for the purpose of financing (or refinance if the authority is to be used within 6 months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice

provided that such power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or, if earlier, on the date falling 15 months from the date of the passing of this Resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

The resolutions in Clauses 6.1 and 6.2 revoke and replace all unexercised powers previously granted to the Directors to allot equity securities as if section 561 of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By order of the board

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M.L. Morris  
Company Secretary  
24 May 2017

**Registered office**

H C Slingsby plc  
Otley Road  
Baildon  
Shipley  
BD17 7LW

**Registered in England and Wales No. 00452716**

*Entitlement to attend and vote*

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00pm on 26 June 2017 (or, if the meeting is adjourned, 6.00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

*Proxies*

2. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.
  1. A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.
  2. A proxy may only be appointed in accordance with the procedures set out in note 3 below and the notes to the proxy form.
3. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting. A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar or the proxy form may be photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.

To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrar, Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 10am on 28 June 2017 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

*Corporate representatives*

4. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

*Joint holders*

5. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

*Total voting rights*

6. As at 24 May 2017 (being the latest practicable date prior to publication of this Notice of Annual General Meeting (the "Latest Practicable Date"), the Company's issued share capital consists of 1,000,000 Ordinary Shares, carrying one vote each. No Ordinary Shares are held by the Company in treasury. Therefore, the total voting rights in the Company as at 24 May 2017 are 1,000,000.

**Explanatory Notes to Resolutions 5 and 6.**

**Resolution 5 – Authority to Allot Shares**

Paragraph 5.1 of this Resolution would give the Directors the authority to allot Ordinary Shares or grant rights to subscribe for or convert any securities into Ordinary Shares up to an aggregate nominal amount of £83,250 (representing 333,000 Ordinary Shares). This amount represents approximately 33.3% of the issued Ordinary Share Capital of the Company as at the 'Latest Practicable Date'.

Paragraph 5.2 of this Resolution would give the Board authority to allot Ordinary Shares or grant rights to subscribe for or convert any securities into Ordinary Shares in connection with a rights issue, to existing shareholders in proportion (as nearly as may be practicable) to their existing holdings, up to an aggregate nominal amount of £166,750 (representing 667,000 Ordinary Shares), as reduced by the nominal amount of any shares issued under paragraph 5.1 of this resolution. This amount (before any reduction) represents approximately 66.7% of the issued ordinary share capital of the Company as at the Latest Practicable Date.

Resolutions 5.1 and 5.2 are in accordance with the Investment Association Guidelines issued in July 2016

The authority and power pursuant to Resolution 5 will expire on the later of 15 months from the date it is passed or the conclusion of the Company's next Annual General Meeting.

The Board will continue to seek to renew these authorities at each Annual General Meeting in accordance with current best practice. The Board has no present intention to exercise these authorities.

**Resolution 6 – Disapplication of Pre-emption Rights**

This Resolution would give the Board the authority to allot Ordinary Shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings and is in accordance with The Pre-Emption Group Statement of Principles.

This authority would be limited to:

- (a) an aggregate nominal amount of £12,500 (representing 50,000 Ordinary Shares). This aggregate nominal amount represents 5% of the issued Ordinary Share capital of the Company as at the Latest Practicable Date and could be used for any purpose; and
- (b) an additional aggregate nominal amount of £12,500 (representing 50,000 Ordinary Shares). This aggregate nominal amount represents 5% of the issued Ordinary Share capital of the Company at the Latest Practicable Date and could only be used for an acquisition or specified capital investment.

The authority and power pursuant to Resolution 6 will expire on the latter of 15 months from the date Resolution 6 is passed or the conclusion of the Company's next Annual General Meeting.

The Board has no present intention to exercise these authorities.