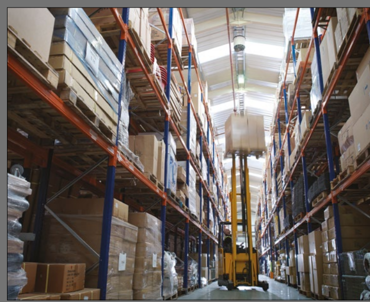
HC Slingsby plc

T: 01274 535 030
F: 01274 535 035
E: sales@slingsby.com
W: www.slingsby.com




Report & Accounts



HC Slingsby plc report and accounts for the year ended 31st December 2017

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.

Directors & Advisors

Directors
D. S. Slingsby – Interim Executive Chairman and Operations Director
M. L. Morris – Group Chief Executive

Company Secretary
M. L. Morris

Registered Office
Otley Road
Baildon, Shipley
West Yorkshire BD17 7LW
Tel : (01274) 535030
Fax : (01274) 535035

Registered Number
452716

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Independent Auditors
RSM UK Audit LLP
Central Square
Fifth Floor
29 Wellington Street
Leeds
LS1 4DL

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

Website: www.slingsby.com
E-mail: sales@slingsby.com

Contents

Statement by the Chairman

Board Composition

Following the Board changes in 2016, I remain as Interim Executive Chairman. We continue to seek to appoint a non-executive chairman and to search for an additional new non-executive director. Although we have identified a number of highly suitable candidates, this is proving to be more protracted than anticipated due to the ongoing uncertainty regarding the pension fund commitments.

Results

In the half year statement, I reported an operating profit of £0.29m on sales of £9.9m. The full year operating profit (before exceptional items) was £0.56m (2016: operating loss of £0.26m) on sales of £19.2m (2016: £18m). The Group increased sales by 7% and reduced overheads leading to a profit before taxation and exceptional items of £0.2m (2016: loss of £0.6m). This represents a significant turnaround and would have resulted in a profit before taxation being reported for the first time since 2012.

However, during December 2017, we commissioned a valuation of the freehold property at Baildon. This valuation was £1.22m lower than the carrying amount of the property held on the balance sheet and accordingly we decided that it was appropriate to impair the property. This impairment is shown as an exceptional item in the profit and loss account. This non-cash charge is disappointing to report as it results in a loss before tax of £1m (2016: £0.7m) which does not reflect the much improved performance of the Group.

ESE Direct Limited ("ESE") contributed £6.8m of sales (2016: £6.5m) and profit before tax and management charges of £0.4m (2016: £0.2m). The improved profitability of ESE reflects an increase in sales and also a reduction in overheads and an improvement in the margin from actions to further integrate the businesses.

Group earnings before interest, tax, depreciation and amortisation ("EBITDA") in the year ended 31 December 2017 was £1m (2016: £0.27m) before exceptional items. Net debt at 31 December 2017 was £1.6m (2016: £1.7m).

Dividend

In view of the loss in 2017 and the uncertainty around the pension fund commitments, the Board is unable to recommend a final dividend for the year (2016: £nil).

Pension Scheme

We remain in discussion with the Trustee of the defined benefit pension scheme regarding a long term solution to the deficit. During 2017, the Company made no deficit reduction payments (2016: £0.27m). At 31 December 2017, the pension scheme deficit decreased by £1m to £8.6m (2016: £9.6m). This improvement in the pension scheme position together with the pre-exceptional profit before taxation has mitigated the impact on the balance sheet of the freehold property impairment, such that Group net assets remain almost unchanged from the position at 31 December 2016.

As discussions regarding the pension position are ongoing and 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

In Q1 of 2017, the Group benefitted from several unusually large orders which were received in 2016. These large orders have not recurred in 2018 and as such Group sales in the 3 months to 31 March 2018 are 6% below prior year. Group sales growth in Q1 of 2017 against the same period in 2016 was 10% providing a strong comparative. Group sales in Q1 of 2018 are 3% higher compared with the same period in 2016. Group order intake in the four months to 30 April 2018 is 1% up on the prior year.

The market remains competitive and whilst we consider that the Group is on a stronger footing due to the changes in marketing strategy, which includes a renewed focus on product development, and from synergies realised, we are cautious regarding the outlook.

Finally, I would like to thank our staff across the Group for their efforts in 2017. Our performance to date in 2018 continues to provide grounds for optimism but we must maintain our focus to build on what has been achieved.

D.S.Slingsby
Interim Executive Chairman

4 May 2018


JUNGHEINRICH
CLARK
THE FORKLIFT
Forktruck Solutions Ltd
SALES · HIRE · SERVICE
JUNGHEINRICH
4G013A
4G013B
4G014A
4G014B
Maximum UDL 2000 KG
PACKER

Strategic Report

Business overview

The group's principal activity comprises the merchanting 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, PPE and 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 in 2015 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 2017, 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. The main ways in which we do this are through are experienced personnel, our broad based product offering where we ensure we offer a choice of options and price points and through our web based knowledge centre. Next day delivery is offered on a substantial proportion of our lines to further augment our service levels.

We continue to generate synergies following the acquisition of ESE. ESE is seeing the full year benefits of the common business IT platform and has increased the amount of products sourced from Slingsby in its range.

The directors believe that the group's strong core brand values of quality, reliability, product range and service excellence remain as true today as they have done over the past 125 years of trading and this is recognised by the number of repeat customers.
We believe that this stronger focus on value, depth of product offer and service has arrested the decline in sales experienced over recent years.

Key Performance Indicators and Business Performance

	2017	2016
Sales growth	**6.6%**	5.8%
Return on capital employed	**(259.1%)**	(181.6%)
Return on sales	**(5.2%)**	(4.1%)
Gross profit margin	**35.0%**	34.9%

Notes:

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 due to the exceptional item.

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

A review of the business is included in the Statement by the Chairman on page 1 and forms part of the Strategic Report.

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.

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 profits before tax, cash flow and balance sheet.

Whilst the group made no deficit reduction contributions during 2017 (2016: £270,000) the group did contribute £160,000 towards the running costs of the scheme which are reflected in overheads. Discussions with the pension Trustee and relevant authorities remain 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 through continued compliance with ISO140001 Environmental Management Standard.

By order of the Board

M. L. Morris
Company Secretary
4 May 2018

Report of the directors

The directors are pleased to present their annual report and audited consolidated financial statements for the year ended 31 December 2017. 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:

D. S Slingsby

M. L. Morris

Dividends

The following dividends have been proposed for the 2017 financial year:

	£'000
An interim dividend of nil pence per share (2016: 0p per share)	-
The directors recommend a final dividend of nil pence per share (2016: 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 2017	1 January 2017
D. S. Slingsby	115,167	115,167
M.L. Morris	1,000	1,000

There have been no other changes in the directors' shareholdings between 31 December 2017 and 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 (2016: 64,000) ordinary shares.

Going Concern

The directors have prepared trading and cash flow forecasts for the group for the period to 31 December 2019, 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 30 April 2019.

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 4 May 2018:

	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 annual report.

By order of the Board

M. L. Morris
Company Secretary
4 May 2018

Corporate Governance

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, usually 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	–	Group Chief Executive 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
4 May 2018

Statement of Directors' Responsibilities

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 financial statements are required by law and IFRS adopted by the EU, to present fairly the financial position of the group and the company. 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 ; 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
4 May 2018

Independent auditors' report to the members of H C Slingsby plc

Opinion

We have audited the financial statements of H C Slingsby plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated income statement, the statement of consolidated comprehensive income and expense, the statement of consolidated and company changes in shareholders' equity, the consolidated and company balance sheets, the consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. 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 of the parent company's affairs as at 31 December 2017 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 company 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of non-current assets

Management have identified that the group has two cash generating units (CGUs), HC Slingsby and ESE Direct. The non-current assets attributable to each CGU at 31 December 2017 were £4.5m for HC Slingsby and £3.2m for ESE Direct. The non-current assets of ESE Direct include £2.4m of goodwill and therefore this CGU is subject to annual impairment testing. The non-current assets of HC Slingsby do not include any non-amortising assets and therefore an impairment test is only performed where management believe that there may be an indicator of impairment. Given the significant non-current assets allocated to each CGU, any adjustments to carrying amount could have a material impact on the financial statements.

Impairment testing requires management to compare the carrying amount of the CGUs attributable assets and liabilities with the higher of fair value and value in use. Where the carrying amount is higher than fair value or value in use then an impairment charge arises. Impairment testing involves a significant degree of judgement because management's determination of value in use is based on a number of assumptions including an assessment of future trading performance and the selection of an appropriate discount rate.

ESE Direct

Management provided us with an impairment test for ESE Direct as detailed in note 14. We performed audit work on this test by:

- Assessing the appropriateness and application of the model used including consideration of the assumptions made about the discount rate and the expected future trading performance, and
- Reviewing historic performance and accuracy of forecasting and considering the sensitivity analysis performed by management.

We discussed the forecasts, discount rate and sensitivity analysis with management and challenged key assumptions, requesting evidence where available to support management's conclusions.

HC Slingsby

During the year management obtained a valuation of the freehold property in Baildon. The valuation of the property was below the carrying amount and management concluded that this was an indicator of impairment. Based on the subsequent impairment testing carried out, and as disclosed in note 13, an impairment charge of £1.2m has been recognised. We reviewed the valuation report, carried out audit work on the valuation in use calculation provided by management in line with our work performed on the value in use calculations prepared on the ESE cash generating unit and assessed management's conclusion about the quantum of the impairment charge made.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £133,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £5,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach covered 100% of group revenue, group profit and total group assets and liabilities. It was performed to the materiality levels set out above.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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
- 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of H C Slingsby plc (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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,
Central Square,
Fifth Floor,
29 Wellington Street,
Leeds,
LS1 4DL

4 May 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue		19,240	18,044
Cost of sales		(12,514)	(11,752)
Gross profit		6,726	6,292
Distribution costs		(3,775)	(3,746)
Administrative expenses		(3,615)	(2,909)
Operating profit/(loss) before exceptional item		557	(261)
Exceptional item	3	(1,221)	(102)
Operating loss	6	(664)	(363)
Finance income	7	-	-
Finance costs	8	(331)	(369)
Profit/(loss) before taxation and exceptional items		226	(630)
Exceptional items		(1,221)	(102)
Loss before taxation		(995)	(732)
Taxation	9	(62)	76
Loss for the year attributable to owners of the parent		(1,057)	(656)
Basic and diluted loss per share	10	(105.7p)	(65.6p)

Statement of Consolidated Comprehensive Income and Expense

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Loss for the year		**(1,057)**	(656)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	24	1,276	(1,555)
Movement in deferred tax relating to retirement benefit obligation	16	(246)	280
Items that may be subsequently reclassified to profit or loss:			
Exchange adjustment		**8**	31
Other comprehensive income/(expense)		**1,038**	(1,244)
Total comprehensive expense for the year attributable to equity shareholders		**(19)**	(1,900)

Statement of Consolidated and Company Changes in Shareholders' Equity

For the year ended 31 December 2017

Group	Share capital £'000	Retained earnings £'000	Translation reserve £'000	Total equity £'000
1 January 2016	250	2,062	(9)	2,303
Loss for the year	–	(656)	–	(656)
Other comprehensive (expense)/income for the year	–	(1,275)	31	(1,244)
Total comprehensive (expense)/income for the year	–	(1,931)	31	(1,900)
1 January 2017	250	131	22	403
Loss for the year	–	(1,057)	–	(1,057)
Other comprehensive income/(expense) for the year	–	1,030	8	1,038
Transfer	-	30	(30)	-
Total comprehensive income/(expense) for the year	–	3	(22)	(19)
31 December 2017	**250**	**134**	**-**	**384**

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

Company	Share capital £'000	Retained earnings £'000	Total equity £'000
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)
1 January 2017	250	(116)	134
Loss for the year	–	(845)	(845)
Other comprehensive income for the year	–	1,030	1,030
Total comprehensive income for the year	–	185	185
31 December 2017	**250**	**69**	**319**

Consolidated Balance Sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	**4,472**	5,838
Intangible assets	14	**877**	1,108
Goodwill	14	**2,409**	2,409
Deferred tax asset	16	**1,464**	1,733
		9,222	11,088
Current assets			
Inventories	17	**1,823**	1,811
Trade and other receivables	18	**2,376**	2,525
Derivative financial asset	20	**-**	-
Cash and cash equivalents		**996**	632
		5,195	4,968
Liabilities			
Current liabilities			
Trade and other payables	19	**(4,964)**	(5,517)
Derivative financial liability	20	**(7)**	(13)
Finance lease obligations	21	**(30)**	(44)
		(5,001)	(5,574)
Net current assets/(liabilities)		**194**	(606)
Non-current liabilities			
Finance lease obligations	21	**(7)**	(37)
Retirement benefit obligation	24	**(8,610)**	(9,626)
Deferred tax liabilities	16	**(415)**	(416)
Net assets		**384**	403
Capital and reserves			
Share capital	25	**250**	250
Retained earnings		**134**	131
Translation reserve		**-**	22
Total equity		**384**	403

The financial statements on pages 12 to 36 were approved by the Board of Directors on 4 May 2018 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 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	**4,391**	5,710
Intangible assets	14	**139**	258
Investments in subsidiaries	15	**4,001**	4,001
Deferred tax asset	16	**1,464**	1,733
		9,995	11,702
Current assets			
Inventories	17	**1,823**	1,810
Trade and other receivables	18	**2,096**	2,005
Cash and cash equivalents		**168**	256
Derivative financial asset	20	**-**	-
		4,087	4,071
Liabilities			
Current liabilities			
Trade and other payables	19	**(4,821)**	(5,534)
Derivative financial liability	20	**(7)**	(13)
Finance lease obligations	21	**(30)**	(44)
		(4,858)	(5,591)
Net current liabilities		**(771)**	(1,520)
Non-current liabilities			
Finance lease obligations	21	**(7)**	(37)
Retirement benefit obligation	24	**(8,610)**	(9,626)
Deferred tax liabilities	16	**(288)**	(385)
Net assets		**319**	134
Capital and reserves			
Share capital	25	**250**	250
Retained earnings		**69**	(116)
Total equity		**319**	134

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 £845,000 (2016: loss £671,000).

The financial statements on pages 12 to 36 were approved by the Board of Directors on 4 May 2018 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

For the year ended 31 December 2017

	Note	**2017** **£'000**	2016 £'000
Cash flows from operating activities			
Cash generated from/(used in) operations		**334**	(84)
Interest payable		**(70)**	(61)
UK corporation tax received		**25**	23
Cash generated from/(used in) operating activities		**289**	(122)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(88)**	(98)
Payment in respect of ESE acquisition		**-**	(30)
Proceeds from sales of property, plant and equipment		**9**	51
Purchase of intangible assets	14	**(20)**	(40)
Net cash used in investing activities		**(99)**	(117)
Cash flows from financing activities			
Capital element of finance lease payments		**(44)**	(57)
New finance leases		**-**	27
Proceeds from borrowings		**(39)**	50
Net cash (used in)/generated from financing activities		**(83)**	20
Net increase/(decrease) in cash and cash equivalents		**107**	(219)
Opening cash and cash equivalents		**(479)**	(291)
Exchange differences		**5**	31
Closing cash and cash equivalents		**(367)**	(479)

Company Cash Flow Statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash used in operations		**(112)**	(317)
Interest payable		**(70)**	(61)
UK corporation tax received		**21**	23
Cash used in operating activities		**(161)**	(355)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(85)**	(60)
Payment in respect of ESE acquistion		**-**	(30)
Proceeds from sales of property, plant and equipment		**9**	31
Purchase of intangible assets	14	**(20)**	(40)
Net cash used in investing activities		**(96)**	(99)
Cash flows from financing activities			
Capital element of finance leases payments		**(44)**	(57)
New finance leases		**-**	27
Proceeds from borrowings		**(39)**	50
Net cash (used in)/generated from financing activities		**(83)**	20
Net decrease in cash and cash equivalents		**(340)**	(434)
Opening cash and cash equivalents		**(855)**	(421)
Closing cash and cash equivalents		**(1,195)**	(855)

Note to the Cash Flow Statements

For the year ended 31 December 2017

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Cash generated from/(used in) operating activities				
Loss before tax	**(995)**	(732)	**(939)**	(760)
Net finance costs	**331**	369	**331**	369
Depreciation and amortisation	**480**	527	**317**	331
Asset impairment	**1,221**	-	**1,221**	-
Profit on sale of property, plant and equipment	**(4)**	(5)	**(4)**	-
Pension deficit contributions	-	(270)	-	(270)
Increase in inventories	**(12)**	(33)	**(13)**	(79)
Decrease/(increase) in trade and other receivables	**143**	(169)	**(93)**	(118)
(Decrease)/increase in trade and other payables	**(830)**	229	**(932)**	210
Cash generated from/(used in) operating activities	**334**	(84)	**(112)**	(317)

Notes to the Accounts

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.

Going concern

The group has made a loss for the year of £1,057,000 (2016 loss £656,000) and had net current assets at 31 December 2017 of £194,000 (2016 net current liabilities of £606,000). The result of the company for the financial year was a loss of £845,000 (2016: loss £671,000).

With 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 2019, 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 the fall due.

The overdraft element of the group's banking facilities expires on 30 April 2019.

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

Impact of new International Financial Reporting Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS9 Financial Instruments: The IASB issued IFRS9 to include a logical model for classification and measurement, a single forward looking expected loss impairment model, and a substantially reformed approach to hedge accounting. Endorsed by the EU and effective from 1 January 2018.

IFRS15 Revenue from contracts with customers:dealing with the recognition of revenue from contracts and customers. Endorsed by the EU and effective from 1 January 2018.

IFRS16 Leases: Introduces a single lessee accounting model and eliminates the previous distinction between an operating lease and a finance lease. Endorsed by the EU and effective from 1 January 2019.

The directors are assessing the impact of IFRS15 and whether the application of IFRS15, once effective, will have a material impact on the results of the company. The directors are also currently assessing the impact of IFRS16 on the Group's financial statements but have not as yet formed a conclusion.

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 2017 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.

The judgements made in the process of applying the group's accounting policies that have the most significant effect on the amount recognised in the financial statements and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- **Actuarial assumptions used in the calculation of the defined benefit pension scheme liability.** Measurement of the defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate. Defined benefit pension obligations at the reporting date were valued at £8.6m (2016: £9.6m) (see note 24 for further disclosure).

1. Accounting Policies (continued)

- **Selection of appropriate rates of amortisation and depreciation for intangible and tangible non-current assets.** The annual depreciation and amortisation charges of amortisation and depreciation for intangible and tangible non-current assets are sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets (see notes 13 and 14 for the carrying amount of intangible and tangible non-current assets)

- **Allowances against the valuation of inventories.** Inventories are stated at the lower of cost and net realisable value. When estimating the net realisable value of inventories, management considers the nature and condition of inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. The stock provision at the reporting date amounted to £442,000 (2016: £403,000) (see note 17 for the net carrying amount of inventories and details of the provisions made).

- **Impairment of goodwill and intangible assets.** The directors review whether goodwill is impaired on an annual basis which requires an estimation of the value in use of the cash generating units to which the goodwill, and any intangible assets, are allocated. This involves estimation of future cash flows and choosing a suitable discount rate (see note 14 for further disclosure).

- **Impairment of tangible non-current assets.** At each reporting date the directors review the carrying amount of the group's tangible non-current assets to determine whether there has been any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. In the current year, this review resulted in an impairment charge against the Baildon property as detailed in note 13.

- **Deferred tax estimation.** Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends upon taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the directors making assumptions within their overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. At 31 December 2017 the group has recognised deferred tax assets of £1,464,000 (2016: £1,733,000) and deferred tax liabilities of £415,000 (2016: £416,000) (see note 16 for disclosure of the group's deferred tax assets and liabilities).

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 funtional 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.

1. Accounting Policies (continued)

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.

Notes to the Accounts (continued)

1. Accounting Policies (continued)

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

Final 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.

3. Exceptional Items

	2017	2016
	£'000	£'000
Redundancy and compensation costs	**-**	102
Asset impairment	**1,221**	-
	1,221	102

The asset impairment is explained more full in note 13.

4. Employee Information

	Group		**Company**	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Staff costs				
Wages and salaries	**2,490**	2,718	**1,950**	2,045
Social security costs	**202**	238	**162**	180
Other pension costs	**72**	148	**61**	134
	2,764	3,104	**2,173**	2,359

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

	Group		**Company**	
	2017	2016	**2017**	2016
	Number	Number	**Number**	Number
Selling and distribution	**80**	83	**62**	64
Administration	**25**	27	**20**	20
	105	110	**82**	84

5. Directors' Remuneration (including pension contributions)

	2017 £'000	2016 £'000
Salary		
Dominic Slingsby	**106**	115
Morgan Morris	**65**	76
	171	191
Highest paid director:		
Aggregate emoluments	**106**	115
Defined benefit scheme accrued pension at end of year	**87**	86

Dominic Slingsby has accrued benefits under a deferred benefit scheme. The defined benefit scheme accrued pension at the end of the year was £87,000 (2016:£86,000). Morgan Morris accrued benefits under a defined contribution pension scheme amounting to £2,100 (2016: £375).

6. Operating Profit / (loss)

Operating profit/(loss) is stated after charging/(crediting):

	2017 £'000	2016 £'000
Profit on disposal of property, plant and equipment	**(4)**	(5)
Depreciation on property, plant and equipment	**229**	282
Amortisation of intangible assets	**251**	245
Operating lease charges		
– land and buildings	**36**	36
– other	**5**	4
Foreign exchange gain/(losses) on operating activities	**14**	(27)
Services provided by the company's auditors		
Fees payable to the company's auditors for the audit of parent company and consolidated financial statements	**32**	32
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	**5**	6
Other services pursuant to legislation:		
Tax services – Compliance	**6**	5
Advisory	**1**	-
Total fees payable to the company's auditors	**44**	43

7. Finance Income

	2017 £'000	2016 £'000
Bank interest receivable	**-**	-

8. Finance Costs

	2017 £'000	2016 £'000
Interest payable on bank borrowings	**67**	56
Interest payable on finance lease liabilities	**4**	5
Net retirement benefit obligation finance costs (note 24)	**260**	308
	331	369

9. Taxation

	2017 £'000	2016 £'000
Current year		
UK corporation tax:		
– current year	**61**	-
– adjustments in respect of prior years	**(21)**	(27)
	40	(27)
Deferred tax:		
UK deferred tax:		
– origination and reversal of timing differences	**(33)**	(42)
– adjustments in respect of prior years	**(27)**	(7)
– changes in tax rate	**82**	-
	22	(49)
Total taxation charge/(credit)	**62**	(76)

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:

	2017 £'000	2016 £'000
Loss before taxation	**(995)**	(732)
Tax at the UK corporation tax rate of 19.25% (2016: 20%)	**(192)**	(146)
Expenses not deductible for tax purposes	**44**	104
Effects of changes in tax rates	**52**	-
Adjustments to tax in respect of prior years		
– current year	**(21)**	(27)
– deferred tax	**55**	(7)
Tax charge/(credit) for the year	**62**	(76)

The standard rate of tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 19.25%. Deferred tax assets and liabilities are measured at a rate of 17% as at 31 December 2017.

10. Earnings Per Share

Basic loss per share is based upon a loss of £1,057,000 (2016: loss of £656,000) and on 1,000,000 (2016: 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. Profit 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 £845,000 (2016:loss £671,000).

12. Dividends

	2017 £'000	2016 £'000
Interim dividend paid for the 2017 financial year of 0.0p (2016: 0.0p)	**-**	-
Final dividend paid for the 2017 financial year of 0.0p (2016: 0.0p)	**-**	-
	-	-

No dividends are proposed for the 2017 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
Cost				
1 January 2016	119	6,665	2,405	9,189
Additions	–	6	58	64
Disposals	–	–	(205)	(205)
1 January 2017	119	6,671	2,258	9,048
Additions	-	-	88	88
Disposals	–	–	(69)	(69)
31 December 2017	**119**	**6,671**	**2,277**	**9,067**
Accumulated depreciation				
1 January 2016	30	1,018	2,039	3,087
Charge for the year	11	106	165	282
Disposals	–	–	(159)	(159)
1 January 2017	41	1,124	2,045	3,210
Charge for the year	11	106	112	229
Asset impairment	–	1,221	–	1,221
Disposals	–	–	(65)	(65)
31 December 2017	**52**	**2,451**	**2,092**	**4,595**
Net book amount				
At 31 December 2017	**67**	**4,220**	**185**	**4,472**
At 31 December 2016	78	5,547	213	5,838
At 31 December 2015	89	5,647	366	6,102

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.

During December 2017, as part of a review of our funding options, we instructed a firm of professional surveyors to carry out a valuation of the freehold site at Baildon. The resulting valuation of £4.2m was £1.2m below carrying value. After consideration of the property's value to the business, we have decided to impair the asset value to the level of the valuation, being its fair value, resulting in an exceptional non-cash charge of £1.22m.

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

	Group and Company	
	2017 £'000	2016 £'000
Cost of assets subject to finance leases	**144**	144
Accumulated depreciation	**(82)**	(45)
	62	99

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

13. Property, Plant and Equipment (continued)

Company	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost			
1 January 2016	6,665	2,073	8,738
Additions	6	54	60
Disposals	-	(157)	(157)
1 January 2017	6,671	1,970	8,641
Additions	-	85	85
Disposals	-	(69)	(69)
31 December 2017	**6,671**	**1,986**	**8,657**
Accumulated depreciation			
1 January 2016	1,018	1,843	2,861
Charge for the year	106	91	197
Disposals	–	(127)	(127)
1 January 2017	1,124	1,807	2,931
Charge for the year	106	72	178
Asset impairment	1,221	-	1,221
Disposals	-	(64)	(64)
31 December 2017	**2,451**	**1,815**	**4,266**
Net book amount			
At 31 December 2017	**4,220**	**171**	**4,391**
At 31 December 2016	5,547	163	5,710
At 31 December 2015	5,647	230	5,877

Depreciation is charged to administrative expenses in the Income Statement.

14. Intangible Assets

	Group	Group			Company
	Goodwill £'000	Brand and Domain Names and Customer Lists £'000	IT Software and Trademarks £'000	TOTAL £'000	IT Software £'000
Cost					
1 January 2016	2,409	1,000	805	1,805	800
Additions	-	-	74	74	40
1 January 2017	2,409	1,000	879	1,879	840
Additions	-	-	20	20	20
31 December 2017	**2,409**	**1,000**	**899**	**1,899**	**860**
Accumulated amortisation					
1 January 2016	-	75	451	526	448
Charge for the year	-	100	145	245	134
1 January 2017	-	175	596	771	582
Charge for the year	-	100	151	251	139
31 December 2017	-	**275**	**747**	**1,022**	**721**
Net book amount					
At 31 December 2017	**2,409**	**725**	**152**	**877**	**139**
At 31 December 2016	2,409	825	283	1,108	258
At 31 December 2015	2,409	925	354	1,279	352

14. Intangible Assets (Continued)

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 2017, the acquired business contributed revenue of £6.8m (2016:£6.5m) and profit before tax of £0.4m (2016:£0.2m) 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 group tests goodwill for impairment on at least an annual basis by comparing the carrying amount of the CGU with it's value in use. Value in use is estimated based on future cash flow discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An impairment charge arises where the carrying value exceeds the value in use.

The carrying amount of the ESE Direct Limited CGU has been tested for impairment using a discounted cash flow model based on the following assumptions:

- Most recent budgets /forecasts for the next 5 years
- Extrapolation of expected future cash flows using a terminal growth rate of 2%
- Sales growth of 1% in year one and 6 % thereafter based on forecasts and prior year perfomance
- Capital expenditure of £20,000 per annum based on forecasts
- Gross margins projected based on recent trends
- Discount rate (pre-tax weighted average cost of capital "WACC") of 15%

On the above basis, the directors have concluded that there is no material impairment for the CGU and they consider that there are no reasonably possible changes to a key assumption which would give rise to an impairment charge.

The key assumption made by the directors in preparing these forecasts is sales growth and the WACC. Modest sales growth of 1% for 2018 reflects the impact of strong one-off sales in Q1 2017, with growth returning to 6% thereafter driven by expanding web sales. The directors performed sensitivity analysis on the basis of sales growth at 50% of assumed levels. At these reduced levels value in use would be equal to the carrying amount.

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.

The company owned 100% of the €1 ordinary share capital in Slingsby Mail Order Limited, incorporated in the Republic of Ireland. The results are fully consolidated in the group financial statements. Its principal activity was the merchanting of materials handling and distribution equipment. The carrying value of this investment is considered impaired and has been fully provided against. The company was dormant throughout the year and was dissolved on 25th April 2018.

The Company directly owns 100% of the issued share capital of the following subsidiary undertakings, registered in England and Wales at 1 Otley Road, Baildon, Shipley BD17 7LW.

Company	Business Activity
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	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Deferred tax asset				
Pension liability	**1,464**	1,733	**1,464**	1,733
Deferred tax liabilities				
Accelerated capital allowances	**(418)**	(460)	**(420)**	(417)
Losses	**131**	211	**132**	199
Intangible asset	**(128)**	-	**-**	-
Rolled over capital gain	**-**	(167)	**-**	(167)
	(415)	(416)	**(288)**	(385)

16. Deferred Tax (continued)

The deferred tax asset relates to the deficit on the company's defined benefit pension scheme. 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	Tax losses £'000	Accelerated capital allowances £'000	Intangible assets £'000	Rolled over capital gain £'000	Total £'000
1 January 2016	1,446	184	(475)	-	(167)	988
Credited to income statement	7	27	15	-	-	49
Credited to equity	280	–	-	-	–	280
1 January 2017 – Group and Company	1,733	211	(460)		(167)	1,317
(Charged)/credited to income statement	(23)	(80)	42	(128)	167	(22)
Charged to equity	(246)	–			–	(246)
31 December 2017	**1,464**	**131**	**(418)**	**(128)**	**-**	**1,049**

Company	Pension liability £'000	Tax losses £'000	Accelerated capital allowances £'000	Rolled over capital gain £'000	Total £'000
1 January 2016	1,446	146	(422)	(167)	1,003
Credited to income statement	7	53	5	-	65
Credited to equity	280	–		–	280
1 January 2017	1,733	199	(417)	(167)	1,348
(Charged)/credited to income statement	(23)	(67)	(3)	167	74
Charged to equity	(246)	–		–	(246)
31 December 2017	**1,464**	**132**	**(420)**	**-**	**1,176**

17. Inventories

	Group		**Company**	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Raw materials and work in progress	**201**	178	**201**	178
Finished goods and goods for resale	**1,622**	1,633	**1,622**	1,632
	1,823	1,811	**1,823**	1,810

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 £85,000, (2016: £19,000). The cost of inventories recognised as an expense and included in the group's cost of sales was £12,179,000 (2016: £11,580,000) and £8,133,000 (2016: £7,325,000) for the company. The provision for obsolete stock at the year end for the group and company is £442,000 (2016: £403,000).

18. Trade and Other Receivables

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Trade receivables	**2,022**	2,157	**1,705**	1,638
Receivables from subsidiary	**-**	-	**92**	54
Prepayments	**354**	368	**299**	313
	2,376	2,525	**2,096**	2,005

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.

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

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
At 1 January 2017	**45**	18	**39**	18
Provision made for impaired receivables	**50**	46	**19**	38
Unused provision reversed	**(32)**	(11)	**(25)**	(11)
Receivables written off during the year as uncollectable	**(35)**	(8)	**(8)**	(6)
At 31 December 2017	**28**	45	**25**	39

Receivables due from subsidiary were not impaired at 31 December 2017 and 31 December 2016.

At 31 December 2017 group trade receivables of £28,000 (2016: £45,000) and company trade receivables of £25,000 (2016: £39,000) 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	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Up to three months over terms	**-**	5	**-**	3
Over three months over terms	**28**	40	**25**	36
	28	45	**25**	39

At 31 December 2017 group trade receivables of £920,000 (2016: £1,188,000) and company trade receivables of £717,000 (2016: £769,000) 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	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Up to three months over terms	**896**	1,068	**705**	761
Over three months over terms	**24**	120	**12**	8
	920	1,188	**717**	769

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.

18. Trade and Other Receivables (continued)

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

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Pound sterling	**1,965**	2,136	**1,740**	1,671
Euro	**57**	21	**57**	21
	2,022	2,157	**1,797**	1,692

19. Trade and Other Payables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade payables	**1,652**	2,416	**1,190**	1,734
Payables to subsidiaries	**-**	-	**608**	930
Other taxation and social security payable	**364**	276	**217**	200
Other payables	**12**	12	**11**	11
Accruals	**361**	450	**220**	296
Debtor financing and overdraft	**2,575**	2,363	**2,575**	2,363
	4,964	5,517	**4,821**	5,534

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 30 April 2019. Our debtor finance facility remains 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 2017 £'000	Assets 2016 £'000	Liabilities 2017 £'000	Liabilities 2016 £'000
Forward foreign currency contracts and options	**-**	-	**7**	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 2018. They have been valued using year end market data.

21. Borrowings

Group and company borrowings include debtor financing, overdraft and finance leases, the debtor financing and overdraft amounting to £2,575,000 (2016:£2,363,000) is repayable within one year, the maturity of the finance leases is set out below:

Finance Leases

The future minimum finance lease payments are as follows:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Not later than one year	**33**	48	**33**	48
Later than one year and not later than five years	**8**	41	**8**	41
Total gross payments	**41**	89	**41**	89
Impact of finance charges	**(4)**	(8)	**(4)**	(8)
Carrying value of liability	**37**	81	**37**	81

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:

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Financial assets				
Trade receivables (note18)	**2,022**	2,157	**1,705**	1,638
Receivables from subsidiary (note 18)	**-**	-	**92**	54
Forward foreign currency contracts and options (note 20)	**-**	-	**-**	-
Cash and cash equivalents	**996**	632	**168**	256
	3,018	2,789	**1,965**	1,948

	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Financial liabilities				
Debt financing and overdraft (note19)	**2,575**	2,363	**2,575**	2,363
Trade payables (note 19)	**1,652**	2,416	**1,190**	1,734
Accruals (note 19)	**725**	726	**437**	496
Other payables (note 19)	**12**	12	**11**	11
Forward foreign currency contracts and options (note 20)	**7**	13	**7**	13
	4,971	5,530	**4,220**	4,617

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	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Euros	**100**	21	**-**	92
Dollars	**4**	14	**7**	-

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 2017, the gearing ratio was 411% (2016:430%).

24. Pension Commitments

Group and Company

Retirement Benefit Obligations

At 31 December 2017 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 2018 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 (£540,000 in 2016) to remove the shortfall over 14 years. An amount of £270,000 was paid in 2016 and no payments were made during 2017. Deficit reduction contributions remain suspended pending discussion between the Company and the relevant authorities.

The weighted average duration of the defined benefit obligation is 19.9 years.

Investment strategy

Approximately 10% of the Scheme’s assets are held in equity type assets, and 90% 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 £30,000 as at 31 December 2017.

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 90% 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. 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.

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.

24. Pension Commitments (continued)

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 £1.3m 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 £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 2017 would be 21.4 (23.2) years and the future life expectancy from age 65 for a male (female) non-pensioner member currently aged 45 of 22.8 (24.8) 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 £1.1m.

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 2017

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

	2017	2016
	£'000	£'000
Present value of defined benefit obligation at beginning of year	**26,792**	21,993
Interest cost	**716**	845
Effect of changes in financial assumptions	**(254)**	4,592
Benefits paid	**(588)**	(638)
Present value of defined benefit obligation at end of year	**26,666**	26,792

24. Pension Commitments (continued)

Reconciliation of fair value of scheme assets

	2017 £'000	2016 £'000
Fair value of scheme assets at start of year	**17,166**	13,960
Interest income	**456**	537
Return on scheme assets	**1,022**	3,037
Contributions by the Company	**-**	270
Benefits paid	**(588)**	(638)
Fair value of scheme assets at end of year	**18,056**	17,166

Amounts to be recognised in the balance sheet

	2017 £'000	2016 £'000
Present value of funded obligation	**26,666**	26,792
Fair value of scheme assets	**(18,056)**	(17,166)
Net liability in balance sheet	**8,610**	9,626

Amounts to be recognised in the income statement

	2017 £'000	2016 £'000
Interest on obligation	**716**	845
Interest income on scheme assets	**(456)**	(537)
Total expense	**260**	308

Total amount recognised in the statement of consolidated income SOCI

	2017 £'000	2016 £'000
Actuarial (gain)/loss	**(1,276)**	1,555
Actuarial (gain)/loss recognised in SOCI	**(1,276)**	1,555

	2017 £'000	2016 £'000
Pension cost		
Defined benefit scheme net interest charge	**260**	308
Defined contribution scheme	**55**	148
	315	456

Scheme assets

	2017 %	2017 £'000	2016 %	2016 £'000
Equities	**10**	**1,908**	53	9,050
Gilts and bonds	**90**	**16,148**	47	8,115
Total scheme assets	**100**	**18,056**	100	17,165
Expected rate of return on scheme assets		**2.7%**		3.9%

At 31 December 2017 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The fair value of the scheme assets as a percentage of total scheme assets and target allocations is set out above.

24. Pension Commitments (continued)

Amount of Company related investments included in fair value of assets

	2017	2016
	£'000	£'000
Company's own financial instruments	**30**	22

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:

	2017	2016
Discount rate	**2.50%**	2.70%
Long term rate of return on assets	**2.50%**	2.70%
RPI Inflation	**3.20%**	3.30%
CPI Inflation	**2.10%**	2.20%
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%)	**3.00%**	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**	86.4
Females	**87.8**	88.1
Retiring in 20 years:		
Males	**88.2**	88.5
Females	**89.8**	90.4
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 13.0:1

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 110% has been applied to the notes under the standard tables. An allowance for future improvements has been made in line with the CMI 2015 Core Regulations assuming a long term annual note of improvement in mortality rates of 1.25% for men and women.

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 £44,000 (2016: £120,000) 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 £11,000 (2016: £14,000) have been charged to operating profit.

25. Share Capital

	2017	**2017**	2016	2016
Ordinary shares of 25p	**Number**	**£'000**	Number	£'000
Authorised				
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	**1,000,000**	**250**	1,000,000	250

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.

Notes to the Accounts (continued)

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:

	2017	2016
	£'000	£'000
Operating leases commitments:		
within one year	**36**	36
in more than one year but less than five years	**144**	144
more than 5 years	**33**	33

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

27. 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 £nil (2016:£63,713) to Morris and Daughters Limited for the services of Morgan Morris who is a director and shareholder in that company. At 31 December 2017, £nil (2016:£nil) was outstanding.

There were no other transactions with key management.

Company – Transactions With Subsidiaries

Sales amounting to £nil (2016: £99,000) were made by HC Slingsby plc to Slingsby Mail Order Limited.

Amounts due to Slingsby Mail Order Limited at 31 December 2017 were £nil (2016: £202,000).

Sales amounting to £799,439 (2016:£462,935) were made by HC Slingsby plc to ESE Direct Limited
.
Purchases amounting to £nil (2016:£2,287) were made to HC Slingsby plc by ESE Direct Limited.

Amounts due to ESE Direct Limited were £nil (2016:£nil) in respect of trading activities and £608,215 (2016: £728,215) in respect of an inter-company loan.

Amounts due from ESE Direct Limited were £92,363 (2016:£54,000).

28. Reconciliation of net debt

Group

	At 1 January 2017 £'000	Cashflow £'000	Foreign exchange movements £'000	**At 31 December 2017 £'000**
Cash	632	359	5	**996**
Bank overdraft (note 19)	(1,111)	(252)	-	**(1,363)**
	(479)	107	5	**(367)**
Debt financing (note 19)	(1,251)	39	-	**(1,212)**
Finance leases (note 21)	(81)	44	-	**(37)**
Net debt	(1,811)	190	5	**(1,616)**

Company

	At 1 January 2017 £'000	Cashflow £'000	**At 31 December 2017 £'000**
Cash	256	(88)	**168**
Bank overdraft (note 19)	(1,111)	(252)	**(1,363)**
	(855)	(340)	**(1,195)**
Debt financing (note 19)	(1,251)	39	**(1,212)**
Finance leases (note 21)	(81)	44	**(37)**
Net debt	(2,187)	(257)	**(2,444)**

Five Year Summary

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Income Statement					
Turnover	**19,240**	18,044	17,061	12,587	13,965
Gross profit	**6,726**	6,292	6,249	5,038	5,502
Operating profit/(loss) before exceptional item	**557**	(261)	(10)	92	137
Exceptional item	**(1,221)**	(102)	(281)	(193)	-
Loss before tax	**(995)**	(732)	(632)	(453)	(249)
Loss for the financial year	**(1,057)**	(656)	(438)	(299)	(95)
Earnings/(loss) per share – basic and diluted	**(105.7p)**	(65.6p)	(43.8p)	(29.9p)	(9.5p)
Dividend Per Ordinary Share*:					
– Interim	**0.0p**	0.0p	0.0p	2.0p	2.0p
– Final	**0.0p**	0.0p	0.0p	4.0p	10.0p
Cash Flow Statement					
Cash generated from /(used by) operating activities	**334**	(84)	171	(169)	166
Balance Sheet					
Net current assets/(liabilities)	**194**	(607)	(376)	3,740	4,122
Net assets	**384**	403	2,303	2,785	3,688
Pension deficit (net of deferred tax asset)	**(7,146)**	(7,893)	(6,587)	(6,777)	(6,455)
Net (debt)/cash excluding finance leases	**(1,579)**	(1,731)	(1,493)	1,940	2,325
Cash and cash equivalents	**996**	632	192	1,940	2,325

* 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 of Annual General Meeting

Notice is given that the seventieth Annual General Meeting of H C Slingsby plc (**"the Company"**) will be held at HC Slingsby plc, Otley Road, Baildon, Shipley, West Yorkshire BD17 7LW on 19 June 2018 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 2017 together with the Directors' reports and auditor's report on those accounts.

2. To re-elect as a Director, Morgan Morris 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 resolutions as special resolutions:

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.

Notice of Annual General Meeting (continued)

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.

7. To authorise the Company generally and unconditionally, pursuant to section 701 of the Act to make one or more market purchases (within the meaning of 693(4) of the Act) on the London Stock Exchange plc (the **"London Stock Exchange"**) of Ordinary Shares provided that:

(a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 100,000 (representing approximately 10 per cent. of the Company's issued share capital);

(b) the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 25p pence per share;

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is not more than the higher of: (i) 5 per cent. above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and (ii) the price stipulated by Article 3(2) of Delegated Regulation (EU) 2016/1052 of 8 March 2016 relating to the conditions applicable to buy-back programmes and stabilisation measures;

(d) unless previously revoked or varied, the authority hereby conferred shall expire fifteen months after the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company after the passing of this resolution; and

(e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Registered Office

HC Slingsby plc Otley Road Baildon, Shipley, West Yorkshire BD17 7LW

By order of the Board

M.L.Morris Company Secretary

Registered in England and Wales
No. 00452716

4 May 2018

Registered in England and Wales No. 00452716

Notes to the Notice of Annual General Meeting

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 close of business on 15 June 2018 (or, if the meeting is adjourned, as at close of business 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. 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. 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, Link Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 10am on 15 June 2018 (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 4 May 2018 (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 4 May 2018 are 1,000,000.

Explanatory Notes to Resolutions 5, 6 and 7.

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.

Resolution 7 — General authority for the Company to purchase its own Ordinary Shares

Shareholders will be asked to provide the general authority for the Company to make market purchases on the London Stock Exchange of its Ordinary Shares, subject to certain limitations set out below.

The Board has no immediate plans for the Company to make purchases of its Ordinary Shares if the proposed new general authority becomes effective but would like to be able to act quickly if circumstances arise in which they consider such purchases by the Company of its Ordinary Shares to be desirable. Accordingly, it is proposed that the Board be given a new general authority to purchase the Company's Ordinary Shares on the terms contained in resolution 7 in the Notice of Annual General Meeting.

The proposed new general authority will be limited, by the terms of resolution 7 in the Notice of Annual General Meeting, to purchases of up to 100,000 Ordinary Shares, representing approximately 10 per cent. of the current issued share capital of the Company. The minimum price per Ordinary Share payable by the Company (exclusive of expenses) will be 25p. The maximum to be paid on the exercise of such new general authority (exclusive of expenses) will be an amount not exceeding the higher of (i) 5 per cent. above the average of the middle-market quotation for Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of each purchase, and (ii) the price stipulated by Article 3(2) of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 relating to the conditions applicable to buy-back programmes and stabilisation measures (being the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out).

The Board will only exercise the new general authority to purchase Ordinary Shares if it considers that such purchases of Ordinary Shares can be expected to result in an increase in earnings per share after such purchases and are in the best interests of shareholders generally. The Directors would also consider carefully the extent of the Company's borrowings and its general financial position. Any such purchase of Ordinary Shares will be financed out of profits available for distribution. The actual cash required to fund any buy-backs of Ordinary Shares pursuant to the new general authority will be met from existing cash resources and/or borrowing facilities. Shareholders should note that any shares purchased by the Company will be cancelled and not made available for reissue. The number of shares in issue will accordingly be reduced.

The maximum number of Ordinary Shares and the permitted price range are stated for the purpose of compliance with statutory and London Stock Exchange requirements in seeking the authority. This should not be taken as any representation of the number of Ordinary Shares (if any) which the Company might purchase, nor the terms upon which the Company would intend to make any such purchases, nor does it imply any opinion on the part of the Directors as to the market or other value of the Company's shares. In seeking this general authority, the Board is not indicating any commitment to buy back Ordinary Shares. Shareholders should not, therefore, assume that any purchases will take place.

In addition, the requirements of the London Stock Exchange prevent the Company from purchasing its own shares during the period of two months before the announcement of its half-year or full-year results (or, if shorter, the period from the end of the Company's relevant financial period up to and including the time of the relevant announcement), or at any other time when the directors are in a possession of unpublished price sensitive information in relation to the Company's shares.

The general authority set out in resolution 7 in the Notice of Annual General Meeting will expire fifteen months' after the resolution is passed or, if earlier, on the date of the next annual general meeting of the Company. However, in order to maintain the Board's flexibility of action, it is envisaged that this general authority may be renewed annually at annual general meetings of the Company.

Details of Ordinary Shares purchased pursuant to the new general authority will be notified to the London Stock Exchange by 7.30 a.m. on the business day following the date of dealing and to the registrar of companies within 28 days of the date of purchase. Details will also be included in the Company's report and financial statements in respect of the financial year in which any such purchases take place.

Shareholder Notes