HC Slingsby plc

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

Slingsby

Your workplace partner

Report & Accounts

For the year ended 31st December 2018

We Are:

One of the UK market leaders in the distance selling of industrial and commercial equipment.

We do:

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.

Our Commitment:

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
6 Wellington Place
Leeds
LS1 4AP

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

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Statement by the Chairman

Board Composition

Following the Board changes in 2016, I remain as Interim Executive Chairman and during 2018 Morgan Morris was appointed Group Chief Executive. We continue to seek to appoint additional new Non-Executive Directors. 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, as commented on further below.

Results

In the half year statement, I reported an operating profit of £0.21m on sales of £9.7m. The full year operating profit (before exceptional items) was £0.52m (2017: operating profit of £0.56m) on sales of £19.8m (2017: £19.2m). The Group increased sales by 3% and with gross margin stable, despite a rise in overheads this led to a profit before taxation and exceptional items of £0.26m (2017: profit of £0.23m).

However, during 2018, sales at ESE did not grow as previously expected. This led us to re-evaluate the value of goodwill held as an asset on the balance sheet following the acquisition. Following this re-evaluation, we decided to impair the value of goodwill from £2.4m to £1.7m leading to a non-cash exceptional item of £675,000. Furthermore, we also recorded an exceptional charge of £216,000 for Guaranteed Minimum Pension obligations ("GMP") following the High Court ruling on this industry wide issue in October 2018. These non-cash charges are disappointing to report as they result in a loss before tax of £0.6m (2017: loss of £1m) which does not reflect the stable operating performance of the Group.

ESE Direct Limited ("ESE") contributed £6.5m of sales (2017: £6.8m) and profit before tax and management charges of £0.45m (2017: £0.44m). Sales fell due to large orders delivered in early 2017 not recurring and to slower than forecast growth in web sales. Despite this, profitability was maintained due to a reduction in overheads and an improvement in the margin from actions to further integrate the ESE business with the Slingsby business.

Group earnings before interest, tax, depreciation and amortisation ("EBITDA") in the year ended 31 December 2018 were £1m (2017: £1m) before exceptional items. Net debt at 31 December 2018 was £1.1m (2017: £1.6m). This reduction in net debt was despite capital expenditure of £0.36m (2017: £0.1m).

Dividend

In view of the loss in 2018 and the uncertainty around the pension fund commitments, the Board is unable to recommend a final dividend for the year (2017: £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 2018, the Company made no deficit reduction payments (2017: nil). At 31 December 2018, the pension scheme deficit decreased by £0.2m to £8.4m (2017: £8.6m). 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 goodwill impairment, such that Group net assets are £0.2m (2017: £0.4m).

As discussions regarding the pension position are ongoing and whilst during this time the Company is not paying deficit reduction contributions, there remains uncertainty as to the quantum and timing of future payments to the scheme.

Recent Trading

Group sales growth in Q1 of 2019 against the same period in 2018 was 5%. However, a reduction in Group margin and an increase in Group overheads has led to operating profit being lower than in 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 and product strategy, synergies realised and investments in IT and equipment, we are cautious regarding the outlook. This is particularly the case due to uncertainty created by the decision to extend the Brexit process and its potential impact on the level of corporate activity. What is now the initial Brexit date was an event which the Group and a portion of its customer base had planned for and the impact of unwinding these plans may impact short term demand.

Finally, I would like to thank our staff across the Group for their efforts in 2018. Our sales performance to date in 2019 continues to provide grounds for optimism and the investments made during 2018 can be built upon to further enhance efficiency.

D.S.Slingsby
Interim Executive Chairman


Slingsby
Reception

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, 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 and the confidence level of businesses. The uncertainty regarding the outcome of Brexit negotiations could impact on customer confidence leading to a reduction in sales.

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 2018, we invested in upgrading our IT, warehouse and production equipment to improve efficiency and responsiveness. We have strengthened our field-based and internal sales personnel who we believe 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 our 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 with product sourced from Slingsby increasing during the year.

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 led to the growth in sales in the year.

Key Performance Indicators and Business Performance

	2018	2017
Sales growth	**3.0%**	6.6%
Return on capital employed	**(283.9%)**	(259.1%)
Return on sales	**(3.2%)**	(5.2%)
Gross profit margin	**35.1%**	35.0%

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.

Return on sales is calculated as loss before taxation over revenue. This has improved due to the lower loss.

A review of the business is included in the Statement by the Chairman on page 4 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 9001:2015 and ISO 14001:2015 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 2018 (2017: nil) 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 and Environmental Sustainability

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.

In addition to statutory and regulatory compliance, the Group takes pride in its environmental initiatives which have been recognised through continued compliance with ISO14001 Environmental Management Standard.

By order of the Board

M. L. Morris
Company Secretary
10 May 2019

Report of the Directors

The Directors are pleased to present their annual report and audited consolidated financial statements for the year ended 31 December 2018. Future developments are considered in the Statement by the Chairman on page 4.

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 Directors do not proposed a dividend in respect of the 2018 financial year (2017:nil).

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 2018	January 2018
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 2018 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 (2017: 64,000) ordinary shares.

Going Concern

The directors have prepared trading and cash flow forecasts for the Group for the period to 31 December 2020, which assume that the pension scheme contributions will recommence in the sum of £300,000 per annum. 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 2020.

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 10 May 2019:

	Number of Ordinary Shares of 25p each	Percentage Holding
M. Chadwick*	180,295	18.0%
K. J. Williams	67,835	6.8%
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%
S. Whittaker	32,500	3.3%
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 pages 10-12 of the annual report.

By order of the Board

M. L. Morris
Company Secretary
10 May 2019

Corporate Governance

HC Slingsby PLC is committed to high standards of corporate governance and reports against the requirements of the Corporate Governance Code ("the Code") published by the Quoted Companies Alliance in April 2018, a full version of which is available at http://www.theqca.com. The Board recognises the value of the Code and as far as is practicable and appropriate for a company of the size and nature of HC Slingsby PLC adheres to it.

The Board and Committee Meetings
The Board meets on a formal basis regularly and during 2018 there were 7 formal board meetings. 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:
Dominic S. Slingsby– Interim Executive Chairman and Operations Director*

Dominic joined the group in 1982 and after an initial spell as a Sales Representative became Marketing Manager in 1985. He was appointed to the Board in 1990 and became Managing Director in 1997 before taking the dual role of Interim Executive Chairman & Operations Director in 2016. He is a member of both the Audit and Remuneration Committees.

Dominic Slingsby's service agreement specifies a rolling 12 month notice period.

Morgan L. Morris – Group Chief Executive and Company Secretary

Morgan joined the board as Interim Finance Director in February 2015 becoming Group Chief Executive in May 2018. Previously Morgan was Finance and Commercial Director for a speciality chemicals manufacturer and prior to that held the position of Corporate Recovery Director for Ernst & Young, as well as a range of Pan-European roles for Arthur Andersen. Morgan holds a Business Finance & Economics degree, is FCA qualified and is a licensed insolvency practitioner. He is a member of the Audit and Remuneration Committees.

Morgan Morris' service agreement specifies a rolling 6 month notice period.

*Acting Chairman of both Audit and Remuneration Committees

The Board are mindful of the need to keep skills and experience up to date which is done through a combination of courses, continuing professional development through professional bodies, reading and on the job experience.

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.

Both Directors attended all 7 board meetings during the year.

Audit Committee
The audit committee meets as required but at least twice a year. In addition to reviewing the Annual and Interim Reports prior to their release, it keeps the scope, cost effectiveness, independence and objectivity of the external auditors under review. This includes monitoring the level of non-audit fees. The external auditors attend its meetings as required.

There were two audit committee meetings during 2018 attended by both Directors.

Remuneration Committee
The committee is responsible for determination of the remuneration and remuneration policy for the Group's executive directors and senior executives setting the scale and structure of such remuneration. Directors' service agreements and notice periods are reviewed with due regards to the interests of shareholders.

There were two meetings of the remuneration committee during 2018 attended by both Directors.

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.

The Board adopted the principles of the Quoted Companies Alliance Corporate Governance Code in April 2018. The extent of compliance with the ten principles that comprise the Code, together with an explanation of any areas of non-compliance are set out below:

Principle	Extent of current compliance	Commentary	Further disclosure(s)
Establish a strategy and business model which promote long term value for shareholders	Fully compliant	The relevant information concerning the Group's model and strategy can be found in the Strategic Report within the Annual Report. Key risks and mitigating actions are detailed in the Principal Risks section of the Strategic Report within the Annual Report.	Strategic Report section of the Annual Report
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Fully compliant	The Company's details are displayed on its website allowing shareholders to contact the Company if they so wish. The Company holds an annual general meeting to which all members are invited and during which, time is set aside to allow questions from attending members to any board member. As the Company is small, it does not have a dedicated investor relations department and so the CEO is responsible for reviewing all communications received from members and determining the most appropriate response.	www.slingsby.com; Investor Relations, AGM notices
Take into account wider stakeholder and social responsibilities and their implications for long term success	Fully compliant	Directors and employees adopt a broad view during decision making to take meaningful account of the impact of the business on all key stakeholder groups. The Board recognises that the Group's long term success is reliant on the efforts of its employees, customers and suppliers and through maintaining relationships with its regulators. Feedback from employees, customer groups, suppliers and others is actively encouraged.	www.slingsby.com; Investor Relations, Corporate Governance
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Fully compliant	The Group operates a system of internal controls designed (to the extent considered appropriate) to safeguard Group assets and protect the business from identified risks, including risk to reputation.	Principal Risks section of the Strategic Report within the Annual Report
Maintain the board as a well-functioning, balanced team led by the chair	Partially compliant	The Board currently comprises only two Executive Directors who receive high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. The Board have been seeking the appointment of one or more Non-Executive Directors for some time but in the light of the Company's very significant pension deficit and the highly publicised issues facing directors of public companies with a deficit on its pension fund, it has not been possible to identify persons prepared to accept such a role. It is the Board's intention to appoint at least one Non-Executive Director at the earliest opportunity. The Board does not consider Dominic Slingsby to be independent in view of his family's large combined interest in the Company. Although Morgan Morris is an executive director and therefore cannot be considered by the Board to be totally independent, Morgan Morris is independent of Dominic Slingsby and the rest of the Slingsby family.	Board and Committee meetings section of the Corporate Governance part of the Annual Report

Principle	Extent of current compliance	Commentary	Further disclosure(s)
Ensure that between them the directors have the necessary up-to date experience, skills and capabilities	Fully compliant	The Board is satisfied that the current composition provides the required degree of skills, experience, diversity and capabilities appropriate to the needs of the business. Steps are taken to challenge the status quo, and encourage proper consideration of any dissenting opinion. Board composition and succession planning are subject to review taking account of the potential future needs of the business. The Board has not taken any specific external advice on a matter, other than in the normal course of business as an AIM quoted company and other than in respect of the Company's defined benefit pension scheme. The Directors rely on the Company's advisory team to keep their skills up to date and through attending market updates and other seminars provided by the advisory team, the London Stock Exchange and other intermediaries.	Board and Committee meetings section of the Corporate Governance part of the Annual Report
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Partially compliant	Board evaluation has not been carried out as part of a formal process during 2018, although the Chairman has actively encouraged self-evaluation by all Board members, and feedback on the conduct and content of board meetings. The Board will consider whether a more structured approach is required in future.	
Promote a corporate culture that is based on ethical values and behaviours	Fully compliant	The Board promotes high ethical and moral standards. The Board and all employees expect to be judged by, and accountable for their actions.	www.slingsby.com; Investors Relations, Corporate Governance
Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Non-compliant	The Board currently comprises two Executive Directors. The Board is currently non-compliant with the QCA Code as it does not comprise any Non-Executive Directors. The Company is seeking appropriate candidates to join the Board, most notably an Independent Chairman and Independent Non-Executive Director. Whilst a number of highly suitable candidates have been identified, appointments have not been made due to the ongoing uncertainty regarding the pension fund commitments and its potential impact on personal liability. The roles of Chairman and Chief Executive are separated. The Chief Executive is responsible for the operating performance of the Company and its subsidiaries.	Board and Committee meetings section of the Corporate Governance part of the Annual Report
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Fully compliant	The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities and strategy. Details of all shareholder communications are provided on the Company's website, including historical annual reports and governance related material together with notices of all general meetings for the last five years. From 2019 the Company will disclose outcomes of all general meeting votes. The Company lists contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board.	www.slingsby.com; Investor Relations

By order of the Board
M. L. Morris
Company Secretary
10 May 2019

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
10 May 2019

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 2018 which comprise the consolidated income statement, the statement of consolidated comprehensive income and expense, the statement of consolidated and company changes in shareholder's 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 2018 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 group and parent company 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 group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group key audit matters

Impairment of goodwill
The non-current assets of the ESE Direct cash generating unit (CGU) includes £1,734,000 of goodwill (after a current year impairment charge of £675,000) and this CGU is subject to annual impairment testing.

Impairment testing requires management to compare the carrying amount of the CGUs attributable assets and liabilities with the higher of fair value less costs to sell 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 which could have a material impact on the finacial statements and gives rise to the risk of material misstatement.

Management provided us with an impairment test for ESE Direct as detailed in note 14 that showed an impairment charge of £675,000. 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,

- 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.

Parent company key audit matters

Impairment of investment in subsidiary

As disclosed in note 15, the company has an investment in ESE Direct Limited of £2,564,000 after recording an impairment provision against this balance of £1,437,000. Management is required to perform impairment testing on this balance where there is an indicator of impairment. In light of the impairment test performed for the ESE Direct CGU, the risk is that the parent company balance sheet may not properly reflect any impairment in the cost of investment.

Management provided us with their calculation of the impairment charge of £1,437,000. In order to assess this charge, we ensured that the parent company investment was written down to the higher of the fair value less costs to sell and value in use of the ESE Direct CGU. The work we performed is documented in the key audit matter 'Impairment of goodwill' above.

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. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £172,000, which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £146,000, which was not significantly 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 that threshold 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.

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

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 set out on page 13, 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.

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 audit report.

Use of our 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

10th May 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	2	**19,817**	19,240
Cost of sales		**(12,867)**	(12,514)
Gross profit		**6,950**	6,726
Distribution costs		**(4,120)**	(3,775)
Administrative expenses (including exceptional items)		**(3,201)**	(3,615)
Operating profit before exceptional items		**520**	557
Exceptional items	3	**(891)**	(1,221)
Operating loss	6	**(371)**	(664)
Finance income	7	**-**	-
Finance costs	8	**(262)**	(331)
Profit before taxation and exceptional items		**258**	226
Exceptional items	3	**(891)**	(1,221)
Loss before taxation		**(633)**	(995)
Taxation	9	**(29)**	(62)
Loss for the year attributable to owners of the parent		**(662)**	(1,057)
Basic and diluted loss per share	10	**(66.2p)**	(105.7p)

Statement of Consolidated Comprehensive Income and Expense

For the year ended 31 December 2018

	Note	**2018** **£'000**	2017 £'000
Loss for the year		**(662)**	(1,057)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	24	**604**	1,276
Movement in deferred tax relating to retirement benefit obligation	16	**(103)**	(246)
Items that may be subsequently reclassified to profit or loss:			
Exchange adjustment		**-**	8
Other comprehensive income		**501**	1,038
Total comprehensive expense for the year attributable to equity shareholders		**(161)**	(19)

Statement of Consolidated and Company Changes in Shareholders' Equity

For the year ended 31 December 2018

Group	Share capital £'000	Retained earnings £'000	Translation reserve £'000	Total equity £'000
1 January 2017	250	131	22	403
Loss for the year	–	(1,057)	–	(1,057)
Other comprehensive income for the year	–	1,030	8	1,038
Transfer	–	30	(30)	–
Total comprehensive income / (expense) for the year	–	3	(22)	(19)
1 January 2018	250	134	–	384
Loss for the year	–	(662)	–	(662)
Other comprehensive income for the year	–	501	–	501
Total comprehensive expense for the year	–	(161)	–	(161)
31 December 2018	**250**	**(27)**	–	**223**

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 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
1 January 2018	250	69	319
Loss for the year	–	(1,561)	(1,561)
Other comprehensive income for the year	–	501	501
Total comprehensive expense for the year	–	(1,060)	(1,060)
31 December 2018	**250**	**(991)**	**(741)**

Consolidated Balance Sheet

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	**4,578**	4,472
Intangible assets	14	**641**	877
Goodwill	14	**1,734**	2,409
Deferred tax asset	16	**1,434**	1,464
		8,387	9,222
Current assets			
Inventories	17	**1,947**	1,823
Trade and other receivables	18	**2,576**	2,376
Derivative financial asset	20	**14**	-
Cash and cash equivalents		**1,458**	996
		5,995	5,195
Liabilities			
Current liabilities			
Trade and other payables	19	**(5,261)**	(4,964)
Derivative financial liability	20	**-**	(7)
Finance lease obligations	21	**-**	(30)
		(5,261)	(5,001)
Net current assets		**734**	194
Non-current liabilities			
Finance lease obligations	21	**-**	(7)
Retirement benefit obligation	24	**(8,438)**	(8,610)
Deferred tax liabilities	16	**(460)**	(415)
Net assets		**223**	384
Capital and reserves			
Share capital	25	**250**	250
Retained earnings		**(27)**	134
Total equity		**223**	384

The financial statements were approved by the Board of Directors on 10 May 2019 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 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	**4,519**	4,391
Intangible assets	14	**14**	139
Investments in subsidiaries	15	**2,564**	4,001
Deferred tax asset	16	**1,434**	1,464
		8,531	9,995
Current assets			
Inventories	17	**1,947**	1,823
Trade and other receivables	18	**2,235**	2,096
Derivative financial asset	20	**14**	-
Cash and cash equivalents		**391**	168
		4,587	4,087
Liabilities			
Current liabilities			
Trade and other payables	19	**(5,067)**	(4,821)
Derivative financial liability	20	**-**	(7)
Finance lease obligations	21	**-**	(30)
		(5,067)	(4,858)
Net current liabilities		**(480)**	(771)
Non-current liabilities			
Finance lease obligations	21	**-**	(7)
Retirement benefit obligation	24	**(8,438)**	(8,610)
Deferred tax liabilities	16	**(354)**	(288)
Net (liabilities)/assets		**(741)**	319
Capital and reserves			
Share capital	25	**250**	250
Retained earnings		**(991)**	69
Total equity		**(741)**	319

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 £1,561,000 (2017: loss £845,000).

The financial statements were approved by the Board of Directors on 10 May 2019 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 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations		**893**	334
Interest payable		**(45)**	(70)
UK corporation tax (paid)/received		**(60)**	25
Cash generated from operating activities		**788**	289
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(358)**	(88)
Proceeds from sales of property, plant and equipment		**41**	9
Purchase of intangible assets	14	**-**	(20)
Net cash used in investing activities		**(317)**	(99)
Cash flows from financing activities			
Capital element of finance lease payments		**(37)**	(44)
Repayment of borrowings		**(575)**	(39)
Increase in overdraft		**603**	252
Net cash used in financing activities		**(9)**	169
Net increase in cash and cash equivalents		**462**	359
Opening cash and cash equivalents		**996**	632
Exchange differences		**-**	5
Closing cash and cash equivalents		**1,458**	996

Company Cash Flow Statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from/(used in) operations		**594**	(112)
Interest payable		**(45)**	(70)
UK corporation tax received		**-**	21
Cash generated from/(used in) operating activities		**549**	(161)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(358)**	(85)
Proceeds from sales of property, plant and equipment		**41**	9
Purchase of intangible assets	14	**-**	(20)
Net cash used in investing activities		**(317)**	(96)
Cash flows from financing activities			
Capital element of finance leases payments		**(37)**	(44)
Repayment of borrowings		**(575)**	(39)
Increase in overdraft		**603**	252
Net cash used in financing activities		**(9)**	169
Net decrease in cash and cash equivalents		**223**	(88)
Opening cash and cash equivalents		**168**	256
Closing cash and cash equivalents		**391**	168

Note to the Cash Flow Statements

For the year ended 31 December 2018

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash generated from/(used in) operating activities				
Loss before tax	**(633)**	(995)	**(1,567)**	(939)
Net finance costs	**262**	331	**262**	331
Depreciation and amortisation	**463**	480	**330**	317
Exceptional impairment provision	**675**	1,221	**1,436**	1,221
Profit on sale of property, plant and equipment	**(16)**	(4)	**(16)**	(4)
Exceptional charge for GMP equalisation	**216**	-	**216**	-
Increase in inventories	**(124)**	(12)	**(124)**	(13)
(Increase)/Decrease in trade and other receivables	**(214)**	143	**(152)**	(93)
(Increase)/Decrease in trade and other payables	**264**	(830)	**209**	(932)
Cash generated from/(used in) operating activities	**893**	334	**594**	(112)

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 £662,000 (2017 loss £1,057,000) and had net current assets at 31 December 2018 of £734,000 (2017 net current assets of £194,000). The result of the company for the financial year was a loss of £1,561,000 (2017: loss £845,000).

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 2020, which assume that the pension scheme contributions will recommence. 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 2020.

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 (and in some cases had not yet been endorsed by the EU):

- 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 currently assessing the impact of IFRS16 on the Group's financial statements but have not as yet formed a conclusion. The Group's operating lease commitments can be seen at note 26.
- IFRS17 Insurance Contracts
- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 28 Sale or contribution of assets between an investor and its associate or joint venture.
- Annual improvements 2015-2017 (affective 1 January 2019).
- IAS19: Plan Amendment, Curtailment on Settlement.
- IAS 1 and IAS 8: Definition of Material
- Amendments to the References to Conceptual Framework in IFRS Standards.

During the year the Group and Company adopted the following standards effective from the 1 January 2018. The Group has applied these standards in the preparation of the financial statements, and has not adopted any new or amended standards early:

- IFRS 2 Classification and measurement of share-based payment transactions
- IFRS 15 Revenues from Contracts with Customers is effective for periods beginning on or after 1 January 2018. It introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The Group has adopted IFRS 15 for the financial year starting 1 January 2018, applying the fully retrospective method of transition. With the exception of the additional disclosure requirements, the new standard has not had a material impact on the group's financial statements.
- IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for accounting periods beginning on or after 1 January 2018. The standard covers three elements:
  - Classification and measurement: Changes to a more principle based approach to classify financial assets as either held at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss, dependent on the business model and cash flow characteristics of the financial asset;
  - Impairment: Moves to an impairment model based on expected credit losses based on a three stage approach; and
  - Hedge accounting: The IFRS 9 hedge accounting requirements are designed to allow hedge accounting to be more closely aligned with the group's underlying risk management.

The Group have adopted IFRS 9 for the financial year starting 1 January 2018. The Group does not hold complex financial instruments and therefore the majority of changes to the standard do not change the existing accounting for assets and liabilities held. All financial assets and liabilities will continue to be measured at amortised cost other than the derivatives which are held at fair value through profit and loss.

Impact of new International Financial Reporting Standards (continued)

The Group applied the simplified method of the expected credit loss model when calculating impairment losses on its financial assets measured at amortised cost, such as trade receivables. This resulted in greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions.In applying IFRS9 the group considered the probability of a default occurring over the contractual life of its trade receivables. The Group has chosen not to restate comparatives on adoption of IFRS 9 given the immaterial nature of the transitional impacts.

Basis of Consolidation

The financial statements of the Group consolidate the financial statements of H C Slingsby plc and its subsidiaries up to 31 December 2018 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 £8.4m (2017: £8.6m). We also recorded an exceptional charge of £216,000 for Guaranteed Minimum Pension obligations following the High Court ruling on this industry wide issue in October 2018. (see note 24 for further disclosure).

- **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 £374,000 (2017: £442,000) (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). As disclosed in notes 3 and 14, the current year impairment test has resulted in an impairment.

- **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 2017, 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 2018 the group has recognised deferred tax assets of £1,434,000 (2017:£1,464,000) and deferred tax liabilities of £460,000 (2017: £415,000) (see note 16 for disclosure of the group's deferred tax assets and liabilities).

1. Accounting Policies (continued)

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.

Contracts with customers are typically fixed price based on agreed amounts and invoiced on dispatch to the customer in line with the standard terms and conditions of the group. Typically, the Group's standard payment terms are 30 days from date of invoice but certain customers have longer agreed terms.

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.

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.

Financial Assets other than Derivatives

The Group classifies its financial assets as subsequently measured at amortised cost under IFRS 9 if it meets both of the following criteria:

- Hold to collect business model test. The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- Solely payments of principal and interest (SPPI) contractual cash flow characteristics test. The contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding on a specified date.

Financial assets include trade receivables, amounts due and owed to subsidiaries and cash and cash equivalents. The measurement of these financial assets held at amortised cost remains unchanged since the introduction of IFRS 9 from 1 January 2018.

Trade and Other Receivables

Trade and other receivables that do not contain a significant financing component are initially recognised at fair value and subsequently held at amortised cost less provision for impairment.

IFRS 9 introduces an impairment model. Under IAS 39, an entity only considers those impairments that arise as a result of incurred loss events. The effects of possible future loss events cannot be considered, even when they are expected. IFRS 9 introduces an expected credit loss model which broadens the information that an entity is required to consider when determining its expectations of impairment. Under this model, expectations of future events must be taken into account and this could result in the earlier recognition of impairments.

Notes to the Accounts (continued)

1. Accounting Policies (continued)

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.

Financial Liabilities

The classification and measurement of financial liabilities under IFRS 9 remains largely unchanged from IAS 39. Financial liabilities are classified as either financial liabilities at amortised cost or financial liabilities as at fair value through profit or loss. All financial liabilities are measured at amortised cost and include trade and other payables and bank borrowings.

Trade Payables

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

Derivative Financial Instruments

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

Share Capital

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

Dividends

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 Chief Executive Officer.

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, profits/ (losses), assets and liabilities are wholly attributable to that business segment. The operations of the group are based in the UK.

The Group earned revenue from the sale of goods of £19,817,000 (2017: £19,240,000).

3. Exceptional Items

	2018	2017
	£'000	£'000
GMP equalisation	**216**	-
Asset impairment	**675**	1,221
	891	1,221

The asset impairment is explained more fully in notes 13 and 14. The GMP equalisation charge is explained more fully in note 24.

4. Employee Information

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Staff costs				
Wages and salaries	**2,586**	2,490	**2,087**	1,950
Social security costs	**220**	202	**177**	162
Other pension and life assurance costs	**72**	72	**61**	61
	2,878	2,764	**2,325**	2,173

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Selling and distribution	**87**	80	**69**	62
Administration	**23**	25	**19**	20
	110	105	**88**	82

5. Directors' Remuneration (including pension contributions)

	2018 £'000	2017 £'000
Salary		
Dominic Slingsby	**106**	106
Morgan Morris	**68**	65
	174	171
Highest paid Director:		
Aggregate emoluments	**106**	106
Defined benefit scheme accrued pension at end of year	**89**	87

Dominic Slingsby has accrued benefits under a defined benefit scheme. The defined benefit scheme accrued pension at the end of the year was £89,000 (2017: £87,000). Morgan Morris accrued benefits under a defined contribution pension scheme amounting to £1,980 (2017: £2,100).

6. Operating loss

Operating loss is stated after charging/(crediting):

	2018 £'000	2017 £'000
Goodwill impairment	**675**	-
Impairment of land and buildings	**-**	1,221
Profit on disposal of property, plant and equipment	**(16)**	(4)
Depreciation on property, plant and equipment	**227**	229
Amortisation of intangible assets	**236**	251
Operating lease charges		
– land and buildings	**36**	36
– other	**5**	5
Foreign exchange losses/(gains) on operating activities	**48**	(14)
Services provided by the company's auditors		
Fees payable to the company's auditors for the audit of parent company and consolidated financial statements	**36**	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**	5
Other services pursuant to legislation:		
Tax services – Compliance	**6**	6
Advisory	**1**	1
Total fees payable to the Company's auditors	**48**	44

7. Finance Income

	2018 £'000	2017 £'000
Bank interest receivable	**-**	-

8. Finance Costs

	2018 £'000	2017 £'000
Interest payable on bank borrowings	**43**	67
Interest payable on finance lease liabilities	**3**	4
Net retirement benefit obligation finance costs (note 24)	**216**	260
	262	331

9. Taxation

	2018 £'000	2017 £'000
Current tax		
UK corporation tax:		
– current year	**57**	61
– adjustments in respect of prior years	**-**	(21)
	57	40
Deferred tax:		
UK deferred tax:		
– origination and reversal of timing differences	**(27)**	(33)
– adjustments in respect of prior years	**(1)**	(27)
– changes in tax rate	**-**	82
	(28)	22
Total taxation charge	**29**	62

Factors affecting the tax credit for the year:

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

	2018 £'000	2017 £'000
Loss before taxation	**(633)**	(995)
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	**(120)**	(192)
Expenses not deductible for tax purposes	**149**	138
Effects of changes in tax rates	**1**	82
Adjustments to tax in respect of prior years		
– current year	**-**	(21)
– deferred tax	**(1)**	55
Tax charge for the year	**29**	62

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%. Deferred tax assets and liabilities are measured at a rate of 17% as at 31 December 2018.

10. Loss Per Share

Basic loss per share is based upon a loss of £662,000 (2017: loss of £1,057,000) and on 1,000,000 (2017: 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 £1,561,000 (2017: loss £845,000).

12. Dividends

	2018 £'000	2017 £'000
Interim dividend paid for the 2018 financial year of 0.0p (2017: 0.0p)	**-**	-
Final dividend paid for the 2018 financial year of 0.0p (2017: 0.0p)	**-**	-
	-	-

No dividends are proposed for the 2018 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 2017	119	6,671	2,258	9,048
Additions	–	-	88	88
Disposals	–	–	(69)	(69)
1 January 2018	119	6,671	2,277	9,067
Additions	–	–	358	358
Disposals	–	–	(190)	(190)
31 December 2018	**119**	**6,671**	**2,445**	**9,235**
Accumulated depreciation				
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)
1 January 2018	52	2,451	2,092	4,595
Charge for the year	10	105	112	227
Asset impairment	–	-	–	-
Disposals	–	–	(165)	(165)
31 December 2018	**62**	**2,556**	**2,039**	**4,657**
Net book amount				
At 31 December 2018	**57**	**4,115**	**406**	**4,578**
At 31 December 2017	67	4,220	185	4,472
At 31 December 2016	78	5,547	213	5,838

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

13. Property, Plant and Equipment (continued)

During December 2017, as part of a review of the Group's funding options, the Board 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, the Board decided to impair the asset value to the level of the valuation, being its fair value, resulting in an exceptional non-cash charge in the comparative period of £1.22m.

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

	Group and Company	
	2018	2017
	£'000	£'000
Cost of assets subject to finance leases	**-**	144
Accumulated depreciation	**-**	(82)
	-	62

The Group leased motor vehicles under non-cancellable finance leases.

Company	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost			
1 January 2017	6,671	1,970	8,641
Additions	-	85	85
Disposals	–	(69)	(69)
1 January 2018	6,671	1,986	8,657
Additions	–	358	358
Disposals	–	(190)	(190)
31 December 2018	**6,671**	**2,154**	**8,825**
Accumulated depreciation			
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)
1 January 2018	2,451	1,815	4,266
Charge for the year	105	100	205
Asset impairment	-	–	-
Disposals	–	(165)	(165)
31 December 2018	**2,556**	**1,750**	**4,306**
Net book amount			
At 31 December 2018	**4,115**	**404**	**4,519**
At 31 December 2017	4,220	171	4,391
At 31 December 2016	5,547	163	5,710

Depreciation is charged to administrative expenses in the Income Statement.

14. Intangible Assets

	Group	Group			Company
	Goodwill	Brand and Domain Names and Customer Lists	IT Software and Trademarks	TOTAL	IT Software
	£'000	£'000	£'000	£'000	£'000
Cost					
1 January 2017	2,409	1,000	879	1,879	840
Additions	-	-	20	20	20
1 January 2018	2,409	1,000	899	1,899	860
Additions	-	-	-	-	-
31 December 2018	**2,409**	**1,000**	**899**	**1,899**	**860**
Accumulated amortisation					
1 January 2017	–	175	596	771	582
Charge for the year	–	100	151	251	139
1 January 2018	–	275	747	1,022	721
Goodwill impairment	675	-	-	-	-
Charge for the year	-	100	136	236	125
31 December 2018	675	**375**	**883**	**1,258**	**846**
Net book amount					
At 31 December 2018	**1,734**	**625**	**16**	**641**	**14**
At 31 December 2017	2,409	725	152	877	139
At 31 December 2016	2,409	825	283	1,108	258

Amortisation is charged to administrative expenses in the Income Statement.

Goodwill monitoring

Goodwill, which relates entirely to the acquisition of ESE Direct Limited in 2015, is monitored by management at the Cash Generating Unit ("CGU") level. A CGU is considered to be an individual company. The Group tests CGUs containing 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 2% based on forecasts and prior year perfomance
- Capital expenditure of £5,000 per annum based on forecasts
- Gross margins projected based on recent trends
- Discount rate (derived from pre-tax weighted average cost of capital "WACC") of 15%

On the above basis, the Directors have concluded that the goodwill is impaired in the sum of £675,000 included within exceptional items (see note 3). The Directors performed sensitivity analysis on assumptions concerning sales growth and the discount rate and concluded that the level of impairment recognised is adequate.

15. Investment in Subsidiary

On 27 March 2015 the Company acquired 100% of the issued share capital of ESE Direct Limited. The cost of this investment was £4m. Further to the impairment test performed on goodwill and detailed in note 14, an impairment provision of £1.4m has been recorded such that the net book value of the investment is £2.6m. This investment represents the whole of the amount shown in the Company's balance sheet.

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 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Deferred tax asset				
Pension liability	**1,434**	1,464	**1,434**	1,464
Deferred tax liabilities				
Accelerated capital allowances	**(440)**	(418)	**(443)**	(420)
Losses	**89**	131	**89**	132
Intangible asset	**(109)**	(128)	**-**	-
Rolled over capital gain	**-**	-	**-**	-
	(460)	(415)	**(354)**	(288)

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 2017	1,733	211	(460)	-	(167)	1317
(Charged)/credited to income statement	(23)	(80)	42	(128)	167	(22)
Credited to equity	(246)	–	-	-	–	(246)
1 January 2018 – Group and Company	1,464	131	(418)	(128)	-	1,049
(Charged)/credited to income statement	73	(42)	(22)	19	-	28
Charged to equity	(103)	–	-	-	–	(103)
31 December 2018	**1,434**	**89**	**(440)**	**(109)**	**-**	**974**

Company	Pension liability £'000	Tax losses £'000	Accelerated capital allowances £'000	Rolled over capital gain £'000	Total £'000
1 January 2017	1,733	199	(417)	(167)	1,348
(Charged)/credited to income statement	(23)	(67)	(3)	167	74
Credited to equity	(246)	–	-	–	(246)
1 January 2017	1,464	132	(420)	-	1,176
(Charged)/credited to income statement	73	(43)	(23)	-	7
Charged to equity	(103)	–	-	–	(103)
31 December 2018	**1,434**	**89**	**(443)**	**-**	**1,080**

17. Inventories

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Raw materials and work in progress	**197**	201	**197**	201
Finished goods and goods for resale	**1,750**	1,622	**1,750**	1,622
	1,947	1,823	**1,947**	1,823

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 £18,000 (2017: £85,000). The cost of inventories recognised as an expense and included in the Group's cost of sales was £13,343,000 (2017: £12,179,000) and £8,746,000 (2017: £8,133,000) for the Company. The provision for obsolete stock at the year-end for the Group and Company is £374,000 (2017: £442,000).

18. Trade and Other Receivables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade receivables	**2,289**	2,022	**1,905**	1,705
Receivables from subsidiary	**–**	–	**70**	92
Prepayments	**287**	354	**260**	299
	2,576	2,376	**2,235**	2,096

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 lifetime expected credit loss provision. The ageing profile is used by management in reviewing receivables and the group applies the IFRS 9 simplified approach to measuring expected credit losses. The expected loss rates are based on the group's historical credit losses experienced and these rates are then adjusted for current and forward looking information on macroeconomic factors affecting the group's customers. Movements on the group and company provisions for impairment of trade receivables are:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
At 1 January 2018	**28**	45	**25**	39
Expected credit loss	**30**	50	**26**	19
Unused provision reversed from prior year	**(27)**	(32)	**(24)**	(25)
Receivables written off relating to prior year	**(11)**	(35)	**(9)**	(8)
At 31 December 2018	**20**	28	**18**	25

Receivables due from subsidiary were not impaired at 31 December 2018 and 31 December 2017 as the expected credit loss is not considered to be material. At 31 December 2018 Group trade receivables of £1,040,000 (2017: £920,000) and company trade receivables of £849,000 (2017: £717,000) 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:

18. Trade and Other Receivables (continued)

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Up to three months over terms	**1,011**	896	**827**	705
Over three months over terms	**29**	24	**22**	12
	1,040	920	**849**	717

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

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Pound sterling	**2,225**	1,965	**1,911**	1,740
Euro	**64**	57	**64**	57
	2,289	2,022	**1,975**	1,797

19. Trade and Other Payables

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade payables	**1,905**	1,652	**1,426**	1,190
Payables to subsidiaries	**-**	-	**608**	608
Corporation tax payable	**57**	60	**-**	-
Other taxation and social security payable	**333**	304	**239**	217
Other payables	**13**	12	**11**	11
Accruals	**350**	361	**180**	220
Debtor financing	**637**	1,212	**637**	1,212
Overdraft	**1,966**	1,363	**1,966**	1,363
	5,261	4,964	**5,067**	4,821

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 3.1% and 3.3% above the prevailing Bank of England Base Rate respectively. The overdraft element of the Group's banking facilities expires on the 30 April 2020. The debtor finance facility remains unaffected. The Group debtor finance facility is a total of £2m (subject to suitable debt being available) and the overdraft facility is the sum of £500,000.

20. Derivative Financial Instruments

	Group and Company			
	Assets		Liabilities	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Forward foreign currency contracts and options	**14**	-	**-**	7

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 2019. They have been valued using year end market data.

21. Borrowings and Financial Commitments

Group and Company borrowings include debtor financing, overdraft and finance leases, the debtor financing and overdraft amounting to £2,603,000 (2017:£2,575,000) is repayable within one year, the maturity of the finance leases is set out below:

	Group		Company	
Finance Leases	**2018**	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
The future minimum finance lease payments are as follows:				
Not later than one year	**-**	33	**-**	33
Later than one year and not later than five years	**-**	8	**-**	8
Total gross payments	**-**	41	**-**	41
Impact of finance charges	**-**	(4)	**-**	(4)
Carrying value of liability	**-**	37	**-**	37

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

The Company has a commitment by way of a guarantee issued to HMRC in respect of the deferment of import duty and VAT in the sum of £40,000.

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	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Financial assets				
Trade receivables (note18)	**2,289**	2,022	**1,905**	1,705
Receivables from subsidiary (note 18)	**-**	-	**70**	92
Forward foreign currency contracts and options (note 20)	**14**	-	**14**	-
Cash and cash equivalents	**1,458**	996	**391**	168
	3,761	3,018	**2,380**	1,965
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Financial liabilities				
Debt financing and overdraft (note19)	**2,603**	2,575	**2,603**	2,575
Payable to subsidiary (note 19)	**-**	-	**608**	608
Trade payables (note 19)	**1,905**	1,652	**1,426**	1,190
Accruals (note 19)	**350**	361	**180**	220
Other payables (note 19)	**13**	12	**11**	11
Forward foreign currency contracts and options (note 20)	**-**	7	**-**	7
	4,871	4,607	**4,828**	4,611

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	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Euros	**64**	100	**-**	-
Dollars	**14**	4	**-**	7

22. Financial Risk Management (continued)

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 2018, the gearing ratio was 513% (2017:411%).

24. Pension Commitments

Group and Company

Retirement Benefit Obligations

At 31 December 2018 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 2019 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 2017 and a shortfall of £9.8m 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 and 2018. 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.

24. Pension Commitments (continued)

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 £25,000 as at 31 December 2018.

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.

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 £0.8m 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 2018 would be 21.2 (23.2) years and the future life expectancy from age 65 for a male (female) non-pensioner member currently aged 45 of 22.6 (24.7) 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.

24. Pension Commitments (continued)

Year ended 31 December 2018

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 2017 and updated to 31 December 2018 by a qualified independent actuary.

Guaranteed minimum pension

On 26 October 2018, the High Court issued a judgement in a claim involving Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The Company has worked with its independent actuary who has assessed the increase in liabilities from this judgement to be £216,000. This cost has been recognised in the consolidated income statement as an exceptional item.

Reconciliation of the present value of the defined benefit obligation	**2018**	2017
	£'000	£'000
Present value of defined benefit obligation at beginning of year	**26,666**	26,792
GMP equalisation	**216**	-
Interest cost	**659**	716
Effect of changes in financial assumptions	**(1,585)**	(254)
Benefits paid	**(635)**	(588)
Present value of defined benefit obligation at end of year	**25,321**	26,666

Reconciliation of fair value of scheme assets	**2018**	2017
	£'000	£'000
Fair value of scheme assets at start of year	**18,056**	17,166
Interest income	**443**	456
Return on scheme assets	**(981)**	1,022
Contributions by the Company	**-**	-
Benefits paid	**(635)**	(588)
Fair value of scheme assets at end of year	**16,883**	18,056

Amounts to be recognised in the balance sheet	**2018**	2017
	£'000	£'000
Present value of funded obligation	**25,321**	26,666
Fair value of scheme assets	**(16,883)**	(18,056)
Net liability in balance sheet	**8,438**	8,610

Amounts to be recognised in the income statement	**2018**	2017
	£'000	£'000
GMP equalisation (note 3)	**216**	-
Interest on obligation	**659**	716
Interest income on scheme assets	**(443)**	(456)
Total expense	**432**	260

Total amount recognised in the statement of consolidated income SOCI	**2018**	2017
	£'000	£'000
Actuarial gain	**(604)**	(1,276)
Actuarial gain recognised in (SOCI)	**(604)**	(1,276)

24. Pension Commitments (continued)

	2018 £'000	2017 £'000
Pension cost		
GMP equalisation	**216**	-
Defined benefit scheme net interest charge	**216**	260
Defined contribution scheme	**57**	55
	489	315

Scheme assets

	2018 %	2018 £'000	2017 %	2017 £'000
Equities	**10**	**1,686**	10	1,908
Gilts and bonds	**90**	**15,197**	90	16,148
Total scheme assets	**100**	**16,883**	100	18,056
Expected rate of return on scheme assets		**2.5%**		2.7%

At 31 December 2018 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.

Amount of Company related investments included in fair value of assets

	2018 £'000	2017 £'000
Company's own financial instruments	**25**	30

24. Pension Commitments (continued)

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:

	2018	2017
Discount rate	**2.90%**	2.50%
Long term rate of return on assets	**2.90%**	2.50%
RPI Inflation	**3.20%**	3.20%
CPI Inflation	**2.10%**	2.10%
Pension increases:		
Non-Executive pension accrued before 1 January 1992 (0% fixed)	**0.00%**	0.00%
Non-Executive pension accrued after 1 January 1992 (RPI max 5%)	**3.00%**	3.00%
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	**86.2**	86.4
Females	**87.6**	87.8
Retiring in 20 years:		
Males	**88.2**	88.2
Females	**89.7**	89.8
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 2016 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 £46,000 (2017: £44,000) 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 (2017: £11,000) have been charged to operating profit.

25. Share Capital

	2018 Number	2018 £'000	2017 Number	2017 £'000
Ordinary shares of 25p				
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.

26. Operating Lease Commitments

At 31 December 2018, the Group had the following outstanding future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
Operating leases commitments:		
within one year	**36**	36
in more than one year but less than five years	**105**	141
more than 5 years	**-**	-

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

27. Related Party Transactions

Key Management

Key management personnel comprise the Group's Executive Directors. Their remuneration (net of employer's national insurance costs) is set out in note 5. The total cost including employer's national insurance costs in respect of Dominic Slingsby would be £106,000 and in respect of Morgan Morris £72,000.

There were no other transactions with key management.

Company – Transactions With Subsidiaries

Sales amounting to £663,300 (2017: £799,439) were made by HC Slingsby plc to ESE Direct Limited. HC Slingsby plc levied management charges upon ESE Direct Limited of £180,000 in 2018 (2017: £180,000).

Purchases amounting to £330 (2017:£nil) were made by HC Slingsby plc from ESE Direct Limited.

Amounts due to ESE Direct Limited were £nil (2017:£nil) in respect of trading activities and £608,215 (2017: £608,215) in respect of an inter-company loan.

Amounts due from ESE Direct Limited were £69,522 (2017:£92,363).

28. Changes in liabilities from financing activities

Group

	At 1 January 2018 £'000	Cashflow £'000	Foreign exchange movements £'000	**At 31 December 2018 £'000**
Bank overdraft (note 19)	(1,363)	(603)	-	**(1,966)**
Debt financing (note 19)	(1,212)	575	-	**(637)**
Finance leases (note 21)	(37)	37	-	**-**
Net debt	(2,612)	9	-	**(2,603)**

Company

	At 1 January 2018 £'000	Cashflow £'000	**At 31 December 2018 £'000**
Bank overdraft (note 19)	(1,363)	(603)	**(1,966)**
Debt financing (note 19)	(1,212)	575	**(637)**
Finance leases (note 21)	(37)	37	-
Net debt	(2,612)	9	**(2,603)**

Five Year Summary

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Income Statement					
Turnover	**19,817**	19,240	18,044	17,061	12,587
Gross profit	**6,950**	6,726	6,292	6,249	5,038
Operating profit/(loss) before exceptional item	**520**	557	(261)	(10)	92
Exceptional item	**(891)**	(1,221)	(102)	(281)	(193)
Loss before tax	**(633)**	(995)	(732)	(632)	(453)
Loss for the financial year	**(662)**	(1,057)	(656)	(438)	(299)
Loss per share – basic and diluted	**(66.2p)**	(105.7p)	(65.6p)	(43.8p)	(29.9p)
Dividend Per Ordinary Share*:					
– Interim	**0.0p**	0.0p	0.0p	0.0p	2.0p
– Final	**0.0p**	0.0p	0.0p	0.0p	4.0p
Cash Flow Statement					
Cash generated from /(used by) operating activities	**893**	334	(84)	171	(166)
Balance Sheet					
Net current assets/(liabilities)	**734**	194	(607)	(376)	3,740
Net assets	**223**	384	403	2,303	2,785
Pension deficit (net of deferred tax asset)	**(7,004)**	(7,146)	(7,893)	(6,587)	(6,777)
Net (debt)/cash excluding finance leases	**(1,145)**	(1,579)	(1,731)	(1,493)	1,940
Cash and cash equivalents	**1,458**	996	632	192	1,940

Notice of Annual General Meeting

Notice is given that the seventy first 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 12 June 2019 at 10am to consider, in accordance with section 656 Companies Act 2006 (the **"Act"**) whether any, and if so what, steps should be taken to deal with the situation that the net assets of the Company are less than half its called up share capital. In addition, the meeting will consider and, if thought fit, pass the following resolutions. Resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 to 11 as special resolutions.

Ordinary resolutions:

1. To receive the Company's annual accounts for the financial year ended 31 December 2018 together with the Directors' reports and auditor's report on those accounts.

2. To re-elect as a Director, Dominic Slingsby who retires from the Board in accordance with the Company's articles of association.

3. To reappoint RSM UK Audit LLP as auditors of the Company to hold office until the end of the next general meeting at which accounts are laid before the Company.

4. To authorise the Directors of the Company to determine the remuneration of the auditors.

5. In substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, to authorise the Directors of the Company pursuant to section 551 of the Act to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act):

   (a) up to an aggregate nominal amount of £83,250; and

   (b) comprising equity securities up to a nominal amount of £166,750 (including within such limit any equity securities

   issued under paragraph (a) above) in connection with an offer by way of a rights issue:

      (i) 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

      (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 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.

Special resolutions:

6. 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 (b) 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 (a) 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 (a) of this resolution 6) 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.

7. Subject to the passing of resolutions 5 and 6, and in addition to any authority granted under resolution 6, 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.

8. To authorise the Company generally and unconditionally 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.

Special resolutions: (continued)

9. With effect from the conclusion of the meeting, to amend the articles of association of the Company by deleting all the provisions that were contained within the Company's memorandum of association prior to 1 October 2009 which, by virtue of the Act, have been treated as provisions of the Company's articles of association since 1 October 2009.

10. With effect from the conclusion of the meeting, to revoke the restriction on the authorised share capital of the Company by amending the articles of association of the Company to delete article 3 in its entirety.

11. With effect from the conclusion of the meeting, to amend the restriction on the borrowings of the Company contained in article 114 (2) of the Company's articles of association to a maximum of the greater of:

    (a) £4,000,000; and

    (b) an amount equal to three times the aggregate of the nominal amount paid up on the share capital of the Company and the total reserves of the Group,

    by amending article 114 (2) of the Company's articles of association accordingly.

Registered Office
HC Slingsby plc
Otley Road
Baildon
Shipley
BD17 7LW
Registered in England and Wales No.00452716

By order of the Board

....

M.L. Morris
Company Secretary
10 May 2019

Notes to the Notice of the 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 10 June 2019 (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. A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

2. A proxy may only be appointed in accordance with the procedures set out in notes 3-7 below and the notes to the proxy form.

3. You can vote either:

· by logging on to www.signalshares.com and following the instructions;

· You may request a hard copy form of proxy directly from the registrars, Link Asset Services (previously called Capita), on Tel: 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

· in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4ZF by 10am on 10 June 2019.

4. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

6. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10am on 10 June 2019. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

8. 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

9. 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

10. As at 10 May 2019 (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 10 May 2019 are 1,000,000.

Explanatory Notes to Resolutions 5, 6, 7 and 8.

Resolution 5 – Authority to Allot Shares

Paragraph (a) 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 (b) 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 (a) 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.

Resolution 5 is in accordance with the Investment Association's Share Capital Management Guidelines issued in July 2016 (the "Guidelines").

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.

Resolutions 6 and 7 – Disapplication of Pre-emption Rights

These resolutions 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.

The purpose of resolution 6 is to give the Directors the authority to allot equity securities for cash otherwise than to existing shareholders pro rata to their holdings. Apart from offers or invitations in proportion to the respective number of shares held, this authority would be limited to the allotment of equity securities for cash up to 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. The figure of 5% reflects the Guidelines. The Board will have due regard to the Guidelines and the Statement of Principles on Disapplying Pre-emption Rights published by the Pre-Emption Group (the "Principles") in relation to any exercise of this authority.

Resolution 7 also gives the Directors the additional authority, in certain limited circumstances, to allot equity securities for cash without first being required to offer such shares to the existing shareholders in proportion to their existing shareholdings. The disapplication of pre-emption rights in respect of a further 5% of the Company's issued share capital, in addition to the authority proposed to be granted pursuant to resolution 6 reflects the Guidelines and the Principles. This authority would be limited to the allotment of equity securities for cash up to 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 (within the meaning of the Principles).

The authority and power pursuant to resolutions 6 and 7 will expire on the latter of 15 months from the date the relevant resolution is passed or the conclusion of the Company's next Annual General Meeting. Resolutions 6 and 7 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.

The Board has no present intention to exercise these authorities.

Resolution 8 — 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 8 in the Notice of Annual General Meeting.

The proposed new general authority will be limited, by the terms of resolution 8 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 8 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.

Resolutions 9, 10 and 11 – Amendments to Articles of Association and Memorandum of Association

The purpose of resolutions 9 and 10 is to update the Company's articles of association following the introduction of the Companies Act 2006 (the "Act") and bring them in line with the current market practice.

Under earlier Companies Acts, a memorandum of association was a significant constitutional document: it identified the basic components of a company's separate personality. Under the Act, and with effect from 1 October 2009, the role of the memorandum was greatly reduced. The memorandum evidences the identities of the subscribers as at the point of registration but has no other or continuing relevance. Outdated provisions (such as restrictive and irrelevant objects clauses) contained Company's memorandum of association have, since 1 October 2009, been treated as provisions of the Company articles of association by virtue of section 28 of the Act. Under resolution 9, the Company is proposing to amend its articles of association by deleting all of these provisions contained within the Company's memorandum of association.

From 1 October 2009, the Act abolished the requirement for a company to have an authorised share capital. Pursuant to article 3 of the Company's articles of association, the Company has an authorised share capital of £300,000 divided into 1,200,000 Ordinary Shares. To allow the Directors to allot Ordinary Shares or equity securities pursuant to the authority proposed under resolution 5, a further special resolution of the shareholders would be required to increase the authorised share capital. To avoid the need for multiple resolutions in the future increasing the authorised share capital, the Company is proposing, under resolution 10, to amend its articles of association to remove the authorised share capital.

Under resolution 11, the Company is proposing to amend the restriction on the borrowings of the Company, contained in article 114 of its articles of association, to a maximum of the greater of: (a) £4,000,000; and (b) an amount equal to three times the aggregate of the nominal amount paid up on the share capital of the Company and the total reserves of the Group. The Company is currently able to borrow a maximum of an amount equal to three times the aggregate of the nominal amount paid up on the share capital of the Company and the total reserves of the Group without obtaining prior shareholder approval. The current cap varies depending on the share capital and reserves of the Company; however, the addition of a £4,000,000 cap provides the Directors with certainty at all times in respect of the maximum amount the Company can borrow before seeking shareholder approval. The Directors believe that the proposed cap of £4,000,000 is reasonable given the nature of the Company's assets and its current and potential financing requirements, and the amended article maintains the flexibility of the current variable cap as the maximum amount the Company can borrow without shareholder consent will increase when the total share capital and reserves of the Group increase such that they exceed £4,000,000 when multiplied by 3.

A copy of the Company's existing articles of association and proposed amended articles of association marked to show all the changes will be available for inspection during normal business hours (excluding Saturdays, Sundays and bank holidays) at the Company's registered office from the date of this notice of meeting until the close of the meeting. The proposed amended articles of association will also be available for inspection at the annual general meeting at least 15 minutes prior to the start of the meeting and up until the close of the meeting.

Notes

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