Slingsby
Established 1893

Annual Report & Audited Financial Statements

For the year ended 31st December 2022

www.slingsby.com

M. L. Morris – Group Chief Executive

D. S. Slingsby – Interim Executive Chairman and Operations Director

Over 129 years serving and supplying the workplace.

We do:
Manufacture and distribute over 45,000 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 and 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
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Central Square
29 Wellington Street
Leeds
LS1 4DL

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

Nominated Advisor & Broker
Allenby Capital Limited
5 St. Helens Place
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Slingsby

Annual Report and Audited Financial Statements - 2022

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Statement by the Chairman

Board Composition

Following the Board changes in 2016, I remain as Interim Executive Chairman and since 2018 Morgan Morris has been the appointed Group Chief Executive. The Board continues to believe that it would benefit from the appointment of new Non-Executive Directors. This should now be possible following the release of restrictions relating to the Coronavirus, the agreement with regard to the pension scheme detailed below and the re-instatement of Directors' and Officers' insurance cover in respect of claims relating to the pension scheme, which had deterred previously suitable candidates. The Board will continue to explore solutions to this issue, with the objective remaining to appoint new Non-Executive Directors and a Non-Executive Chairman.

Results

In the half year statement, I reported an operating profit (before exceptional items) of £0.32m on sales of £11.0m. The full year operating profit (before exceptional items) was £0.63m (2021: £0.41m) on sales of £21.6m (2021: £19.8m). Group sales increased by 9%, which together with an improved gross margin, led to a profit before taxation and exceptional items of £0.49m (2021: £0.29m). The increase in Group sales is principally due to the Group passing cost price increases which occurred across its product ranges on to customers. This action resulted in the improvement in gross margin in 2022.

Profit before tax of £0.8m in 2021, included an exceptional item of £0.53m relating to the increase in value of the freehold property at Baildon. Within 2022, there have been no exceptional items recorded.

ESE Direct Limited ("ESE") contributed £7m of sales (2021: £6.4m) and profit before tax and management charges of £0.54m (2021: £0.53m). ESE's sales increased mainly due to passing on cost prices increases to customers.

Group earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA") in the year ended 31 December 2022 were £1.1m (2021: £0.9m). The Group had net cash (after overdraft balances included in trade and other payables) as at 31 December 2022 of £0.03m (2021: £0.35m). Group cash balances reduced due to increased working capital requirements and investment in fixed assets.

Dividend

Despite the agreement reached with the Trustee of the defined benefit pension scheme enabling the recommencement of dividends, the Board does not recommend the declaration of a final dividend for the year ended 31 December 2022 (2021: £nil). This is due to the Board adopting a prudent view to maintain cash resources within the Group.

Under the agreement with the pension scheme, dividends are limited in their quantum to £60,000 plus 50% of net cashflow over £150,000 per annum.

Pension Scheme

The Company paid £0.35m (2021: £0.36m) in deficit reduction contributions during 2022. The Company also continues to contribute £0.16m (2021: £0.16m) towards the scheme's running costs. The Group is scheduled to pay £406,000 in deficit reduction contributions in 2023. Contributions rise each year by inflation with a review at 1 January 2023 which is in progress.

At 31 December 2022, the pension scheme deficit decreased by £2.4m to £5.49m (2021: £7.94m). This improvement in the pension scheme position (which is £1.7m after the decrease in the related deferred tax asset) together with the profit generated in the year, increased the Group's net assets to £4.3m (2021: £2.3m). The improved pension position was largely due to increases in the discount rate.

Recent Trading and Future Developments

Group sales in Q1 of 2023 against the same period in 2022 increased by 5%. This improvement in sales at a higher gross margin was offset by increased overhead costs. This led to an unaudited profit before tax in Q1 2023 of £0.12m compared to £0.16m in the same period in 2022.

On 30th March 2023, Slingsby acquired certain assets of Stakrak Limited ("Stakrak"). Stakrak trades primarily through the websites Stakrak, GasCageDirect and SecurityCagesDirect selling a range of similar and complimentary products but specialising in mesh cage solutions. The consideration for the purchase was £0.11m funded from existing cash resources.

The market remains competitive, and the Board is cautious regarding the outlook. This is particularly the case due to the significant uncertainty that remains caused by the continuing conflict in the Ukraine, the risk of a recession in the Group's main UK market and that the longer term impacts of the Coronavirus pandemic and Brexit are not yet fully known. It is unclear as to the impact that these events will have on demand going forward.

In addition, inflationary pressures remain leading to cost increases across the product range and in overheads. This could impact on the Group's gross margin and profits in 2023. Whilst supply chain issues have lessened both in terms of supply of components and availability of transport, they remain problematic and impact on customer service levels and in some instances could lead to lost sales opportunities.

Finally, I would like to thank our staff across the Group for their efforts in 2022. The Group has faced numerous challenges in recent years which were overcome due to the positive attitude and hard work of our employees.

D.S.Slingsby

Interim Executive Chairman,
28 April 2023


Slingsby
Reception


www.Slingsby.com
Over 45,000
workplace products

Strategic Report

Business overview

The Group's principal activity comprises the merchanting and distribution of a highly diversified range of industrial and commercial equipment primarily consisting of incidental purchasing supplies. The range spanning some 45,000 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.

Whilst the Group's sales grew in 2020 this was largely due to customers purchasing goods in order to continue or re-start their operations during the Coronavirus pandemic. The nature of this demand meant that the Group did not expect this level of sales to continue which proved to be the case with sales falling 9.1% in 2021. Sales grew in 2022, mainly due to the Group passing on to customers cost price increases. There remains uncertainty in the economy due to the continuing conflict in the Ukraine and the longer term implications of the Coronavirus pandemic and Brexit. This could further impact on demand and lead to credit related issues should companies become insolvent. The impact of significant inflation in the Group's cost of products and certain freight costs could also lead to a fall in demand as these cost increases have resulted in increased selling prices. These increases contributed to a fall in gross margin from 34.9% to 33.5% in 2021 but the Group managed to increase selling prices during 2021 and 2022 such that gross margin improved to 34.6% in 2022. The Group has net assets at 31 December 2022 of £4.3m (2021: £2.3m) and net cash (after overdraft balances included in trade and other payables) of £0.03m (2021: £0.35m). The improvement in net assets is mainly due to a decrease in the defined benefit pension deficit. The reduction in net cash is due mainly to increased working capital and investment in fixed assets.

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 2022, we continued to invest in improvements in the e-commerce platform for the Slingsby business and to strengthen our product sourcing and sales teams.

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 129 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 is what differentiates our business.

Key Performance Indicators and Business Performance

	2022	2021
Sales growth	**8.8%**	(9.1%)
Return on capital employed	**11.2%**	36.3%
Return on sales	**2.2%**	4.1%
Gross profit margin	**34.6%**	33.5%

Notes:

Return on capital employed is calculated as profit before taxation over the total equity at the year end. This has declined due to reduction in profit before tax following the exceptional gain in 2021 and an increase in total equity.

Return on sales is calculated as profit before taxation over revenue. This has declined due to the reduction in profit before tax following the exceptional gain in 2021. More information can be found as part of the Chairman's statement.

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 described 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, credit losses and a consequent loss of income for the Group. The continuing conflict in the Ukraine, high inflation and risk of an economic downturn has created considerable uncertainty. In addition, the longer term impact of the Coronavirus pandemic and the Government measures imposed is not fully known nor is the impact of Brexit.

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 continue to rise. The Board keeps these risks under regular review and prepares profit and loss account and cashflow forecasts as appropriate.

Regulatory

The Group has to comply with all relevant regulatory requirements and the risk is that the Group may not comply with the relevant requirements. The Group remains compliant with all relevant regulatory requirements and monitors 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

The Group is 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. The risk is that the Group may fail to comply with the accredited standards. In order to mitigate the risk, management review their compliance with relevant accreditations.

Pensions

The Group has an obligation to fund its defined benefit pension scheme (the "Scheme") and this creates an exposure to interest rates, inflation, investment return and the longevity of the plan members. The risk is that the Group will not be able to fulfil its responsibilities to the Scheme. 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 movements in the Group's profits before tax, cash flow and balance sheet.

The Group re-commenced deficit reduction contributions during 2019 paying £0.125m, £0.3m in 2020, £0.36m in 2021 and £0.35m in 2022. In addition, the Group contributed £0.16m towards the running costs of the Scheme which are reflected in overheads. The Group is scheduled to pay £406,000 in deficit reduction contributions in 2023. Contributions rise each year by inflation with a review at 1 January 2023 which is in progress. The Group will also continue to contribute £0.16m each year towards the Scheme's running costs. The Scheme will also receive 50% of any net cashflow generated by the Group over £150,000 and in 2021 an additional £44,500 was paid under this mechanism. No additional payment was made during 2022.

As a condition of the above arrangement, the Group is restricted as to the quantum of distributions to shareholders to an amount not greater than £60,000 plus 50% of its net cashflow over £150,000. The Group is obliged to consult with the Scheme's Trustee regarding certain other matters but is not obliged to change its approach as a result.

Health and Safety and Environmental Sustainability

The Group is subject to relevant regulations on the above and there is a risk the Group may not comply with the relevant requirements. 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.

Statement by the Directors in Performance of their Statutory Duties in Accordance with S172(1) Companies Act 2006

The board of directors of HC Slingsby PLC consider both individually and together, that they have acted in the way they consider in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172 (1)(a) to (f) of Companies Act 2006). These matters are the likely consequences of any decision in the long term, the interests of the Company's workforce, the desirability of the company maintaining a reputation for high standards of business conduct, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment and the need to act fairly, as between members of the Company.

The Board considers its stakeholders to be its shareholders, employees, customers, suppliers/creditors and the environment. The way that the Company considers and discharges its obligations in respect of S172 Companies Act 2006 in respect of its stakeholders can be found below, in the Corporate

Governance section of this annual report (pages 11-13) and above.

The Group culture is focussed upon achieving success in the long term, working in a manner that benefits all our stakeholders. The directors ensure that the group's business strategy, governance framework, management information flows and stakeholder engagement processes, reflect the long term impact of decisions they make.

The directors discharge their duties by

- ensuring that they have the relevant experience and competence to perform such duties and obligations under applicable law and regulation and if appropriate undertaking training
- having processes to ensure the provision of timely management information to the Board from key areas of the business
- agenda planning for Board and committee meetings to provide sufficient time for the consideration and discussion of key matters.

The Board promotes high standards of business conduct recognising the desirability of maintaining the Group's reputation. This is communicated to the Group's employees. The Board and all employees expect to be judged by and be held accountable for their actions. The Group has an internal control framework that identifies risk factors which are regularly monitored and reviewed.

The Board considers which course of action best enables delivery of our strategy for the long term, taking into consideration the impact on stakeholders. In doing so, the directors act fairly as between the Group's members.

Stakeholder Engagement

Shareholders

The major interests in the Company's shares are set out in the directors' report. Key metrics for our shareholders are the share price, earnings per share and the level of dividends paid. Through the publication of our half and full year financial reports and announcements we inform shareholders regarding the status of their Company.

Further shareholder engagement includes the AGM and discussions with investors when questions are asked.

Employees

The Board believes that the Group's success is reliant on the commitment of our employees and the directors' consider the implications of decisions made on them. We pride ourselves on our friendly and safe working environment. Employee feedback is sought through formal review processes and via the head of each department. Training is provided where necessary.

Customers and suppliers

The Board recognises that the Group depends on its customers and its supply chain. Customer feedback is sought through the use of a third party operated review service as well as encouraged through other communication channels.

We regularly engage with suppliers through visits to their facilities, holding presentations and training meetings between suppliers and Group employees on our sites and via a formal appraisal system.

Community and environment

The Group recognises its obligation to minimise its impact on the environment and the need to consider its impact on the communities in the areas in which it operates. This is achieved by complying with the IS014001 environmental quality standard and support of certain environmentally and community focussed organisations such as sponsorship of the Yorkshire and Norfolk Wildlife Trusts.

More information on how the Company considers and discharges its obligations in respect of S172 Companies Act 2006 in respect of its stakeholders can be found in the Corporate Governance section of this annual report (pages 11 – 13) and in respect of the environment at the relevant section above.

By order of the Board

M. L. Morris

Company Secretary
28 April 2023

Report of the Directors

The Directors are pleased to present their annual report and audited consolidated financial statements for the year ended 31 December 2022. Future developments are considered in the Statement by the Chairman on page 4 and below. On 30th March 2023, Slingsby acquired certain assets of Stakrak Limited ("Stakrak"). Stakrak trades primarily through the websites Stakrak, GasCageDirect and SecurityCagesDirect selling a range of similar and complimentary products but specialising in mesh cage solutions. The consideration for the purchase was £0.11m funded from existing cash resources. There are no immediate plans for further acquisitions, but the Group would consider any options for growth by this method.

H C Slingsby plc is a public limited company (limited by shares) with its ordinary shares traded on the AIM market of the London Stock Exchange. It is incorporated and domiciled in the United Kingdom with its registered office at Otley Road Baildon, West Yorkshire BD17 7LW. The company is registered in England and Wales with a registered number of 452716.

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 propose a dividend in respect of the 2022 financial year (2021: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 2022	31 December 2021
D. S. Slingsby	**51,167**	51,167
M.L. Morris	**93,561**	61,000

On 8 December 2022, M. L Morris purchased 30,061 shares from the company's defined benefit pension scheme for consideration of £78,159 (with the potential for additional consideration to be paid under certain circumstances). There have been no changes in the directors' shareholdings between 31 December 2022 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 excludes a non-beneficial interest of 64,000 (2021: 64,000) ordinary shares.

Going Concern

The directors have prepared trading and cash flow forecasts for the Group for the period to 31 December 2024, which include the pension scheme contributions as agreed. These forecasts indicate that the Group will be able to operate within its banking facilities and meet its liabilities as they fall due. The Board's conclusion in this regard is strengthened by the Group's net cash position at 31 December 2022.

The overdraft element of the Group's banking facilities is in the process of being renewed at the reduced level of £0.1m. The directors consider this to be adequate given the Group's cash and other financing options particularly the Group's £2m invoice discounting facility.

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

However, the continuing conflict in the Ukraine has created considerable economic uncertainty and the Group has experienced significant cost price inflation across its various product ranges. In addition, the longer term impact on the economy of the coronavirus pandemic and of Brexit could have a short to medium term impact on the Group's financial performance which is not easy to forecast. The impact could be from a significant fall in demand, from customer credit losses (bad debts) or from late customer payments. These would restrict the Group's ability to generate operating cashflow. The directors have plans in place to mitigate these impacts should the need arise.

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 27 April 2023:

	Number of ordinary Shares of 25p each	Percentage Holding
M. Chadwick*	190,295	18.1%
K. J. Williams	67,835	6.5%
J. S. Slingsby Grandchildrens' Trust	64,000	6.1%
J. Crowther Jones & Mr. T. E. Jones	54,866	5.2%
J. H. Ridley	54,302	5.2%
C. J. Slingsby	53,886	5.1%
S. E. Slingsby and Mr Hugh Padfield	51,167	4.9%
M. Miller†	48,381	4.6%
H. Slingsby	47,138	4.5%
A.R. Morris	41,400	3.9%
P.S. Allen	36,940	3.5%
S. Whittaker	32,500	3.1%

* Registered in the name of Davycrest and Goodbody Nominees
† Registered in the name of Platform Securities Nominees Limited

Financial Instruments

The Group's financial instruments comprise cash, banking facilities, 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 accounts.

Indemnification of Directors

The Company confirms that qualifying third party indemnity insurance cover has been affected 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 remains in force.

Audit Information

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

Independent Auditors

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

Corporate Governance

The Company's statement on corporate governance is included in the Corporate Governance report on page 11 - 13 of the annual report.

Stakeholder Engagement

The Group's statement on stakeholder engagement is included in the Strategic Report.

Future Developments

On 30th March 2023, Slingsby acquired certain assets of Stakrak Limited ("Stakrak"). Stakrak trades primarily through the websites Stakrak, GasCageDirect and SecurityCagesDirect selling a range of similar and complimentary products but specialising in mesh cage solutions. The consideration for the purchase was £0.11m funded from existing cash resources. There are no immediate plans for further acquisitions, but the Group would consider any options for growth by this method.

There are no plans or proposals to change the nature of the business in the immediate future.

The Group has experienced significant cost inflation during 2021 and 2022 and regularly reviews its selling prices to mitigate this cost pressure.

By order of the Board

M. L. Morris

Company Secretary
28 April 2023

Corporate Governance

HC Slingsby PLC is committed to high standards of corporate governance and has adopted 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 explains below the extent of compliance with the Code.

The Board and Committee Meetings

The Board meets on a formal basis regularly and during 2022 there were six 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.. As a Director and Company Secretary, M. L. Morris seeks appropriate external advice should the need arise.

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, Finance Director 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 six 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.

All directors are expected to devote such time as is necessary for the proper performance of their duties. Directors are expected to prioritise and attend Board meetings and Committee meetings of which they are members and any additional meetings wherever possible. After taking into consideration the availability and time commitment demanded of individual members, the Chairman was satisfied that the members of the Board were able to devote sufficient time and resource to perform their roles for the Group.

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 6 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 2022 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 was one meeting of the remuneration committee during 2022 attended by both Directors.

Relations with Shareholders

The Company is ready, where practicable, to enter into a dialogue with institutional and other 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. In line with the Schedule of Matters reserves for the Board, certain matters require approval by the Board as a whole. This includes all significant capital expenditure decisions, corporate and capital structure and communications to shareholders.

Corporate Governance (continued)

The Board adopted the Quoted Companies Alliance Corporate Governance Code in 2018. The Board's views on 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	Compliant	The relevant information concerning the Group's business 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
Seek to understand and meet shareholder needs and expectations	Compliant	The Company's contact 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, Relations with Shareholders section above.
Take into account wider stakeholder and social responsibilities and their implications for long term success	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. Customer feedback is obtained from a third party operated review system. Employees have reviews with their line manager and are encouraged to provide feedback. Employees are also encouraged to express any concerns to the Board or the Human Resources Manager. All feedback is reviewed by the Board and acted upon accordingly.	www.slingsby.com; Investor Relations, Corporate Governance
Embed effective risk management, considering both opportunities and threats, throughout the organisation	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. As well as tight oversight exercised by the executive directors, and appropriate trained and qualified staff, the Board engages appropriate auditors and consultants to assist in identifying and managing risk.	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 independent 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 report within 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	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 report within 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, although the Chairman has actively encouraged self-evaluation by all Board members, and feedback on the conduct and content of board meetings. A more structured performance review system will exist in the future upon the appointment of an independent non-executive Chairman.	None.
Promote a corporate culture that is based on ethical values and behaviours	Compliant	The Board promotes high ethical and moral standards. The Board and all employees expect to be judged by, and accountable for their actions. The employment handbook contains relevant information.	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 independent 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 report within the Annual Report
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	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 discloses 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

On behalf of the Board

D. S. Slingsby
Interim Executive Chairman
28 April 2023

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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 have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with UK adopted international accounting standards and have elected under company law to prepare the company financial statements in accordance with UK adopted international accounting standards and applicable law.

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

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

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

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with UK adopted international accounting standards;

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 requirements of 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 corporate and financial information included on the H C Slingsby Plc 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
28 April 2023

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 2022 which comprise the Consolidated Income Statement, the Statement of Consolidated Comprehensive Income, the Statement of Consolidated and Company Changes in Shareholders' Equity, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated and Company Cash Flow Statements, the Notes to the Cash Flow Statements and the Notes to the Accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards 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 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards 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 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.

Summary of our audit approach

Key audit matters	**Group and parent company** • Inventory Valuation/Obsolescence Provision • Retirement Benefit Liability
Materiality	**Group** • Overall materiality: £80,000 (2021: £75,000) • Performance materiality: £60,000 (2021: £56,200) **Parent Company** • Overall materiality: £60,000 (2021: £40,000) • Performance materiality: £45,000 (2021: £30,000)
Scope	Our audit procedures covered 100% of revenue, total assets and of profit before tax.

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.

Independent Auditors' Report to the Members of H C Slingsby plc (continued)

Inventory Valuation / Obsolescence Provision	
Key audit matter description	The Group and parent company has inventory with a carrying value of £2,683k which is stated after a provision of £773k as set out in Note 17. Given the type of industry which the group operates within, inventory items can be seasonal or change with current trends. We consider a significant risk exists in respect of the inventory valuation based on the ability to sell inventory as a result of the aforementioned factors. Management have historically adopted a formula based approach to the level of provisioning applied based on the ageing of inventory and its most recent movements. As set out in the Accounting Policies, the inventory provisioning process involves significant elements of judgement and estimate, including in respect of: • the %'s used • the age after which inventory is considered not recoverable, and expectations of likely future sales.
How the matter was addressed in the audit	Our audit work on the inventory provision included: • Reviewing sales made both during the year and following the year end to assess whether inventory was being held at the lower of cost and net realisable value and hence consider the adequacy of the provision. • Discussing the basis of the provision with management to understand rationale, key supporting information, and any changes in method relative to prior periods. • Assessing the prior year provision and considered current year information to determine if the provision policy was accurate. • Testing and checking the mathematical and formulaic accuracy of the model/workings. • Undertaking sensitivity analysis on the key inputs to the model/workings after obtaining detailed inventory reporting information from management. • Using data analytics to assess the sales volume of inventory items within the past three years and post year end to assess whether managements provision supports the actual sale of inventory items within the group. • Specifically reviewing and challenging management about additional provisions made against inventory, which are included in the overall provision value in addition to managements provision based on the ageing of inventory to assess the reasonableness of the total provision.

Retirement Benefit Liability	
Key audit matter description	The group and company had a defined benefit obligation of £5,492k at 31 December 2022 which is the largest item on the balance sheet. As disclosed in the accounting policies, the defined benefit pension scheme liability is the present value of the defined benefit obligation less the fair value of the scheme assets. As disclosed in note 1 and note 24, the valuation of this obligation is based on a number of assumptions including the expectation of future changes in inflation, as well as mortality and discount rates. The amount recognised is based on a valuation undertaken by an actuary, who also provides the information relevant to the disclosures for inclusion in the financial statements, including an estimate of Guaranteed Minimum Pension (GMP) equalisation costs.
How the matter was addressed in the audit	Our audit work on the defined benefit obligation included: • Obtaining and reviewing a copy of the IAS 19 actuarial valuation prepared by the actuary and undertaking procedures to determine our ability to rely on their work. As part of this work, we utilised an auditor's expert in the form of an independent actuary to assist us in assessing the assumptions and judgements used by the Scheme's actuary. • Challenging management on the assumptions used by the actuary in preparing the IAS19 valuation and considering whether they were consistent with the instructions given by management. Our challenge included, where possible, comparing the key estimates and judgements to those used in actuarial valuations for other similar businesses. • Obtaining evidence in respect of all key elements of the actuarial valuation, including the value of plan assets, the defined benefit obligation, net interest expenses, benefit payments and employer contributions. • Considering the impact of any minimum funding requirement and associated impact on the liability. • Reviewing the disclosures in the financial statements to assess whether they are consistent with the actuary's report and the requirements of IAS 19 (the relevant financial reporting framework).

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. Based on our professional judgement, we determined materiality as follows

	Group	Parent company
Overall materiality	£80,000 (2021: £75,000)	£60,000 (2021: £40,000)
Basis for determining overall materiality	7.3% of profit before interest, taxation, depreciation, amortisation and exceptional items	% of profit before interest, taxation, depreciation, amortisation and exceptional items
Rationale for benchmark applied	The adjusted measure has been selected on the basis that it is of the most relevance to the users of the financial statements, approximating to the cash generation from trading activities	As per Group
Performance materiality	£60,000 (2021: £56,200)	£45,000 (2021: £30,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £2,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £1,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 2 components, both of which are based in the UK.

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	2	100%	100%	100%
Specific audit procedures	-	-	-	-
Total	**2**	**100%**	**100%**	**100%**

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing and evaluating management's latest forecasts and plans, considering the appropriateness and sensitivity of the key assumptions, and reviewing the key terms of borrowing facilities. These forecasts are prepared in respect of the period to 31 December 2024. At 31 December 2022, the Group had cash and cash equivalent balances of £2,243k and net cash and cash equivalent balances of £26k. Factoring in downside scenarios which take account of lower than forecast sales, management's forecasts indicate a net cash position at the end of the forecast period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 14, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

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

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS/UK-adopted IAS and Companies Act 2006	• Review of the financial statement disclosures and testing to supporting documentation; • Completion of disclosure checklists to identify areas of non-compliance
Tax compliance regulations	• Inspection of advice received from external tax advisors • Inspection of correspondence with local tax authorities • Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity

We have identified no indirect laws and regulations which we believe would have a material impact on the financial statements.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition – Cut Off	• Documenting and reconfirming our understanding of the processes, systems and controls in place relating to the revenue transaction cycle; • Considering the appropriateness of the revenue recognition accounting policy in the context of our understanding of the business and revaluated whether the revenue recognition policy is consistently applied to revenue transactions around the financial year end; and • Performing substantive revenue cut off testing on transactions around the year end to test whether sales have been recorded in the correct period based on the
Management override of controls	• Testing the appropriateness of journal entries and other adjustments; • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and • Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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.

Andrew Allchin FCA
(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

28 April 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Note	2022	2021
		£'000	£'000
Revenue	2	**21,564**	19,824
Cost of sales		**(14,108)**	(13,179)
Gross profit		**7,456**	6,645
Distribution costs		**(4,443)**	(3,915)
Administrative expenses		**(2,386)**	(2,320)
Operating profit before exceptional items		**627**	410
Exceptional items	3	**-**	530
Operating profit	6	**627**	940
Finance income	7	**-**	-
Finance costs	8	**(142)**	(118)
Profit before taxation and exceptional items		**485**	292
Exceptional items	3	**-**	530
Profit before taxation		**485**	822
Taxation	9	**(105)**	(255)
Profit for the year attributable to owners of the parent		**380**	567
Basic and diluted weighted average earnings per share	10	**36.2p**	54.0p

All profits of the group arise from continuing operations.

Statement of Consolidated Comprehensive Income and Expense

For the year ended 31 December 2022

	Note	2022	2021
		£'000	£'000
Profit for the year		**380**	567
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	24	**2,235**	(3)
Movement in deferred tax relating to retirement benefit obligation	16	**(559)**	491
Other comprehensive expense		**1,676**	488
Total comprehensive income for the year attributable to equity shareholders		**2,056**	1,055

All total comprehensive income of the group arise from continuing operations.

Statement of Consolidated and Company Changes in Shareholders' Equity

For the year ended 31 December 2022

Group	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
1 January 2021	**262**	**24**	**922**	**1,208**
Profit for the year	-	-	567	567
Other comprehensive income for the year	-	-	488	488
Total comprehensive income for the year	-	-	1,055	1,055
1 January 2022	**262**	**24**	**1,977**	**2,263**
Profit for the year	-	-	380	380
Other comprehensive income for the year	-	-	1,676	1,676
Total comprehensive income for the year	-	-	2,056	2,056
31 December 2022	**262**	**24**	**4,033**	**4,319**

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
1 January 2021	**262**	**24**	**(314)**	**(28)**
Profit for the year	-	-	370	370
Other comprehensive income for the year	-	-	488	488
Total comprehensive income for the year	-	-	858	858
1 January 2022	**262**	**24**	**544**	**830**
Profit for the year	-	-	157	157
Other comprehensive income for the year	-	-	1,676	1,676
Total comprehensive income for the year	-	-	1,833	1,833
31 December 2022	**262**	**24**	**2,377**	**2,663**

Consolidated Balance Sheet

As at 31 December 2022

	Note	2022	2021
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	13	**5,418**	5,377
Other intangible assets	14	**249**	386
Goodwill	14	**700**	700
Deferred tax asset	16	**1,373**	1,985
		7,740	8,448
Current assets			
Inventories	17	**2,683**	2,330
Trade and other receivables	18	**2,962**	2,764
Derivative financial asset	20	**-**	7
Cash and cash equivalents		**2,243**	1,999
		7,888	7,100
Liabilities			
Current liabilities			
Trade and other payables	19	**(5,007)**	(4,593)
Derivative financial liability	20	**-**	-
Lease obligations	21	**(20)**	(32)
		(5,027)	(4,625)
Net current assets		**2,861**	2,475
Non-current liabilities			
Lease obligations	21	**(113)**	-
Retirement benefit obligation	24	**(5,492)**	(7,938)
Deferred tax liabilities	16	**(677)**	(722)
Net assets		**4,319**	2,263
Capital and reserves			
Share capital	25	**262**	262
Share Premium	25	**24**	24
Retained earnings		**4,033**	1,977
Total equity		**4,319**	2,263

The financial statements on pages 20 to 50 were approved by the Board of Directors on 28 April 2023 and were signed on its behalf by:

D. S. Slingsby
Director

M. L. Morris
Director

H C Slingsby plc
Registered Number: 00452716

Company Balance Sheet

As at 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	**5,278**	5,309
Intangible assets	14	**24**	61
Investments in subsidiaries	15	**1,517**	1,517
Deferred tax asset	16	**1,373**	1,985
		8,192	8,872
Current assets			
Inventories	17	**2,683**	2,330
Trade and other receivables	18	**2,495**	2,465
Derivative financial asset	20	**-**	7
Cash and cash equivalents		**223**	121
		5,401	4,923
Liabilities			
Current liabilities			
Trade and other payables	19	**(4,811)**	(4,383)
Derivative financial liability	20	**-**	-
		(4,811)	(4,383)
Net current assets		**590**	540
Non-current liabilities			
Retirement benefit obligation	24	**(5,492)**	(7,938)
Deferred tax liabilities	16	**(627)**	(644)
Net assets		**2,663**	830
Capital and reserves			
Share capital	25	**262**	262
Share premium	25	**24**	24
Retained earnings		**2,377**	544
Total equity		**2,663**	830

As permitted by Section 408 of the Companies Act 2006, the company has not published its own income statement. The profit of the company for the financial year was £157,000 (2021: £370,000).

The financial statements on pages 20 to 50 were approved by the Board of Directors on 28 April 2023 and were signed on its behalf by:

D. S. Slingsby
Director

M. L. Morris
Director

H C Slingsby plc
Registered Number: 00452716

Consolidated Cash Flow Statement

For the year ended 31 December 2022

	Note	**2022**	2021
		£'000	£'000
Cash flows from operating activities			
Cash (used in)/generated from operations		**(27)**	331
Interest paid		**-**	1
UK corporation tax paid		**(49)**	(150)
Cash (used in)/generated from operating activities		**(76)**	182
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(211)**	(100)
Proceeds from sales of property, plant and equipment	6	**24**	28
Purchase of intangible assets	14	**(22)**	(3)
Net cash used in investing activities		**(209)**	(75)
Cash flows from financing activities			
Capital element of lease payments	21	**(35)**	(36)
Proceeds from share issue		**-**	-
Repayment of borrowings		**-**	-
Proceeds of borrowing		**-**	-
Increase in overdraft		**564**	147
Net cash generated from / (used) in financing activities		**529**	111
Net increase in cash and cash equivalents		**244**	218
Opening cash and cash equivalents		**1,999**	1,781
Closing cash and cash equivalents		**2,243**	1,999

Cash and cash equivalents included above is the gross value and does not included amounts due in relation to the bank overdraft of £2.22m (2021: £1.65m) in the values presented above.

Company Cash Flow Statement

For the year ended 31 December 2022

	Note	2022	2021
		£'000	£'000
Cash flows from operating activities			
Cash used in from operations		**(255)**	(37)
Interest received		**-**	1
UK corporation tax paid		**-**	(85)
Cash used in from operating activities		**(255)**	(121)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(209)**	(97)
Proceeds from sales of property, plant and equipment	6	**24**	28
Purchase of intangible assets	14	**(22)**	(3)
Net cash used in investing activities		**(207)**	(72)
Cash flows from financing activities			
Proceeds from share issue		**-**	-
Repayment of borrowings		**-**	-
Proceeds from borrowing		**-**	-
Increase in overdraft		**564**	147
Net cash generated from financing activities		**564**	147
Net increase/(decrease) in cash and cash equivalents		**102**	(46)
Opening cash and cash equivalents		**121**	167
Closing cash and cash equivalents		**223**	121

Note to the Cash Flow Statements

For the year ended 31 December 2022

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Cash generated from operating activities				
Profit before tax	**485**	822	**222**	570
Net finance costs	**142**	118	**141**	116
Depreciation and amortisation	**464**	461	**299**	307
Defined benefit pension scheme contributions paid	**(352)**	(357)	**(352)**	(357)
Property impairment reversal	**-**	(530)	**-**	(530)
Profit on sale of property, plant and equipment	**(24)**	(17)	**(24)**	(17)
Increase in inventories	**(353)**	(107)	**(353)**	(107)
Increase in trade and other receivables	**(192)**	(137)	**(23)**	(65)
(Decrease)/increase in trade and other payables	**(197)**	78	**(165)**	46
Cash (used in)/generated from operating activities	**(27)**	331	**(255)**	(37)

Notes to the Accounts

1. Accounting Policies

Basis of Preparation

H C Slingsby plc is a public limited company (limited by shares) with its ordinary shares traded on the AIM market of the London Stock Exchange. It is incorporated and domiciled in the United Kingdom with its registered office at Otley Road Baildon, West Yorkshire BD17 7LW. The company is registered in England and Wales with a registered number of 452716.

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 UK adopted international accounting standards. 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 an operating profit for the year of £0.6m (2021 £0.9m) and had net current assets at 31 December 2022 of £2.9m (2021: net current assets of £2.5m). The result of the company for the financial year was an operating profit of £0.4m (2021: £0.7m).

The financial statements have therefore been prepared on a going concern basis which assumes the group will continue in operation for a period of at least 12 months from the date of approval of the financial statements.

The Directors have prepared trading and cash flow forecasts for the group for the period to 31 December 2024, which include the pension scheme contributions as agreed. These forecasts indicate that the Group will be able to operate within its banking facilities and meet its liabilities as the fall due.

The overdraft element of the Group's banking facilities is in the process of being renewed at a reduced level of £0.1m. The directors consider this to be adequate given the Group's cash and financing options, particularly the Group's £2m invoice discounting facility.

New accounting standards and interpretations

The Group and Company financial statements have been prepared in accordance with UK Adopted International Accounting Standards and IFRS Interpretations Committee (IFRIC) effective as at 31 December 2021. The Group and Company have not chosen to adopt any amendments or revised standards early.

Where applicable, the following amendments to accounting standards were adopted by the Group on the effective date during the current year. The Group has applied these standards in the preparation of the financial statements and has not adopted any new or amended standards early.

- Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use
- Annual improvements to IFRS standards 2018 – 2020
- Amendments to IFRS 3 – Reference to the conceptual framework
- Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract

Standards issued but not yet effective

Any new or amended Accounting Standards or interpretations that are not yet mandatory (and in some cases, had not yet been endorsed by the UK Endorsement Board) have not been early adopted by the Group for the year ended 31 December 2022. They are as follows:

- Amendments to IAS 1 – Classification of liabilities as current or non-current
- Amendments to IFRS 17 – Insurance contracts
- Amendments to IFRS 17 – Initial application of IFRS 17 and IFRS 9 – comparative information
- Amendments to IAS 12 – Deferred tax related assets and liabilities arising from a single transaction
- Amendments to IAS 1 and IFRS practice statement 2 – Disclosure of accounting policies
- Amendments to IAS 8 – Definition of accounting estimates
- Amendments to IFRS 16 – Lease liability in a sale and leaseback
- Amendments to IAS 1 – Non-current liabilities with covenants

The directors do not expect that the adoption of these Standards or Interpretations in future periods will have a material impact on the financial statements of the Company or the Group.

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 2022 using the acquisition method of accounting. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies and is exposed to, or has rights to, variable returns. The results of subsidiary undertakings acquired during a financial period are included from the date on which control is transferred to the group. 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 entity. 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 estimates and 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.

Estimates and judgements with significant effect on the financial statements:

- **Selection of appropriate rates of amortisation and depreciation for intangible and tangible non-current assets.** The annual depreciation and amortisation charges 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).
- **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 results for the year ended 31 December 2022 include an impairment charge of £nil (2021: £nil).
- **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 2021, this review resulted in an increase in the carrying value of the Baildon property and a reversal against an impairment provision previously recorded, as detailed in note 13. The revised carrying amount has been derived from a professional valuation of the property and whilst any valuation involves a degree of estimation, the directors consider that the degree of uncertainty is sufficiently reduced by the use of an appropriately qualified third party and have concluded that a reversal of the previous impairment recorded in 2017 is appropriate.
- **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, and the selection of a suitable discount rate. Defined benefit pension obligations at the reporting date were valued at £5.5m (2021: £7.9m). This movement was due to the impact of changes in actuarial assumptions
- **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 inventory provision at the reporting date amounted to £773,000 (2021: £664,000) (see note 17 for the net carrying amount of inventories and details of the provisions made).
- **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 2022 the group has recognised deferred tax assets of £1,373,000 (2021: £1,985,000) and deferred tax liabilities of £677,000 (2021: £722,000) (see note 16 for disclosure of the group's deferred tax assets and liabilities).

Revenue and Recognition of Income

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

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 credit 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 and settlement gains are recognised immediately in the income statement. 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

On commencement of a contract which gives the Group the right to use assets for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease (term is twelve months or less with no option to purchase the lease asset) or a 'low-value' lease (where the underlying asset is £4,000 or less when new).

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise. Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate and any residual value guarantees.

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in the income statement. Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Foreign Currency

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

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.

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Intangible Assets

Intangible assets are stated at cost less accumulated amortisation. They are recognised if it is probable 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% per annum.

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 and depreciation 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 substantively 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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

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 and age.

Financial assets other than derivatives

The Group classifies its financial assets as subsequently measured at amortised cost under IFRS 9 if they meet 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 from subsidiaries and cash and cash equivalents.

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 introduced an expected credit loss model which broadens the information that the Group 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.

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.

Financial liabilities

Financial liabilities are classified as either financial liabilities at amortised cost or financial liabilities at fair value through profit or loss. Financial liabilities include trade and other payables, derivative financial instruments and bank borrowings.

Trade and other payables

Trade and other 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.

Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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.

3. Exceptional Items

	2022	2021
	£'000	£'000
Property impairment reversal	-	530
	-	530

The reversal of the property impairment is explained more fully in note 13.

4. Employee Information

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Staff costs				
Wages and salaries	2,982	2,761	2,491	2,290
Social security costs	285	241	237	199
Defined contribution pension scheme and life assurance costs	96	86	81	71
	3,363	3,088	2,809	2,560

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

	Group		Company	
	2022	2021	2022	2021
	Number	Number	Number	Number
Selling and distribution	92	82	75	68
Administration	19	20	17	17
	111	102	92	85

Items in relation to pension costs reported anywhere other than operating costs are excluded from this disclosure.

5. Directors' Remuneration (including pension contributions)

	2022	2021
	£'000	£'000
Dominic Slingsby	112	109
Morgan Morris	131	126
	243	235
Highest paid Director:		
Aggregate emoluments	128	123
Defined contribution accrued pension at end of year	3	3

Morgan Morris accrued benefits under a defined contribution pension scheme amounting to £3,319 (2021: £3,004). Dominic Slingsby accrued no such benefits in 2022 or 2021.

During the year ended 31 December 2022, the directors did not receive any other emoluments, compensation or cash or non-cash benefits (2021: £nil).

The Company does not have a share option or other long term incentive plan.

6. Operating Profit

Operating profit is stated after charging/(crediting):

	2022	2021
	£'000	£'000
Profit on disposal of property, plant and equipment	(24)	(17)
Depreciation on property, plant and equipment	305	326
Amortisation of intangible assets	159	135
Foreign exchange (gains)/losses on operating activities	(19)	7
Services provided by the company's auditors		
Fees payable to the company's auditors for the audit of parent company and consolidated financial statements	45	44
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	10	6
Other services pursuant to legislation:		
Tax services – Compliance	-	-
Advisory	-	-
Total fees payable to the Company's auditors	55	50

7. Finance Income

	2022	2021
	£'000	£'000
Bank interest receivable	-	-

8. Finance Costs

	2022	2021
	£'000	£'000
Interest payable on bank borrowings	-	-
Interest payable on lease liabilities	1	1
Net retirement benefit obligation finance costs (note 24)	141	117
	142	118

9. Taxation

	2022	2021
	£'000	£'000
Current tax		
UK corporation tax:		
– current year	**96**	56
	96	56
Deferred tax:		
UK deferred tax:		
– origination and reversal of temporary differences	**6**	12
– adjustments due to change of tax rate	**3**	187
	9	199
Total taxation charge	**105**	255

Factors affecting the tax charge for the year:

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

	2022	2021
	£'000	£'000
Profit before taxation	**485**	822
Tax at the UK corporation tax rate of 19% (2021: 19%)	**92**	156
(Income) not taxable/expenses not deductible for tax purposes	**22**	(88)
Effects of changes in tax rates	**3**	187
Adjustments to tax in respect of prior years		
– current year	**(7)**	-
– deferred tax	**(5)**	-
Tax charge for the year	**105**	255

The Group profits for this accounting period are taxed at an effective rate of 19% (2021: 19%). Deferred tax assets and liabilities are measured at a rate of 25% (2021: 25%) as at 31 December 2022.

In addition to the amounts charged to the income statement, £559k (2021: £451k) has been charged (2021: credited) directly to other comprehensive income in relation to actuarial differences on the retirement benefit liability.

10. Earnings Per Share

Basic earnings per share is based upon a profit of £380,000 (2021: £567,000) and on 1,050,000 (2021: 1,050,000) weighted average ordinary shares in issue during the year.

There is no difference between basic earnings per share and diluted earnings 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 profit for the year was £157,000 (2021: £370,000) and total comprehensive income £1,833,000 (2021: total comprehensive expense £858,000).

12. Dividends

	2022	2021
	£'000	£'000
Interim dividend paid for the financial year of 0.0p (2021: 0.0p)	**-**	-
Final dividend paid for the financial year of 0.0p (2021: 0.0p)	**-**	-
	-	-

13. Property, Plant and Equipment

Group	Short Leasehold Property	Freehold land and buildings	Equipment	Right-of-use assets	Total
Cost	£'000	£'000	£'000	£'000	£'000
1 January 2021	119	6,671	2,352	128	9,270
Additions	–	–	100	–	100
Disposals	–	–	(31)	–	(31)
1 January 2022	119	6,671	2,421	128	9,339
Additions	–	–	211	-	211
Lease modifications	-	-	-	34	34
Disposals	(81)	–	(140)	(27)	(248)
31 December 2022	**38**	**6,671**	**2,492**	**135**	**9,336**
Accumulated depreciation and impairment					
1 January 2021	83	2,077	1,961	65	4,186
Charge for the year	10	105	178	33	326
Reversal of previous impairment provision	-	(530)	-	-	(530)
Disposals	–	–	(20)	–	(20)
1 January 2022	93	1,652	2,119	98	3,962
Charge for the year	24	106	143	32	305
Lease modifications	-	-	-	(101)	(101)
Disposals	(81)	–	(140)	(27)	(248)
31 December 2022	**36**	**1,758**	**2,122**	**2**	**3,918**
Net book value					
At 31 December 2022	**2**	**4,913**	**370**	**133**	**5,418**
At 31 December 2021	26	5,019	302	30	5,377
At 31 December 2020	36	4,594	391	63	5,084

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

During 2017, the Board instructed a firm of professional surveyors to carry out a valuation of the freehold land and buildings at Baildon. The resulting valuation of £4.2m was £1.2m below the carrying value. This resulted in an exceptional non-cash impairment charge of £1.22m in the year ended 31 December 2017. During October 2019, the same firm undertook a further valuation of the property on behalf of the Company's bank. This valuation of £4.7m was £0.7m above the adjusted, depreciated, carrying value. The Board elected to adjust the carrying value in line with the valuation by reversing a portion of the historic impairment, leading to an exceptional non-cash impairment reversal of £0.7m in the year ended 31 December 2019. In November 2021, the same firm undertook a further valuation of the property. The valuation was £5.46m which has resulted in the reversal of the balance of the previous impairment shown as an exceptional item of £0.53m. The carrying value of the property in the balance sheet is £4.9m which reflects the property's cost after appropriate depreciation.

The carrying amount and depreciation of right-of-use assets all relate to property leases.

Depreciation is charged to administrative expenses in the Income Statement.

Company	Freehold land and buildings	Equipment	Total
Cost	£'000	£'000	£'000
1 January 2021	6,671	2,099	8,770
Additions	-	97	97
Disposals	–	(31)	(31)
1 January 2022	6,671	2,165	8,836
Additions	–	209	209
Disposals	–	(140)	(140)
31 December 2022	**6,671**	**2,234**	**8,905**
Accumulated depreciation and impairment			
1 January 2021	2,077	1,728	3,805
Charge for the year	105	167	272
Reversal of previous impairment provision	(530)	-	(530)
Disposals	–	(20)	(20)
1 January 2022	1,652	1,875	3,527
Charge for the year	106	134	240
Disposals	–	(140)	(140)
31 December 2022	**1,758**	**1,869**	**3,627**
Net book amount			
At 31 December 2022	**4,913**	**365**	**5,278**
At 31 December 2021	5,019	290	5,309
At 31 December 2020	4,594	371	4,965

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 2021	2,409	1,000	994	1,994	955
Additions	-	-	3	3	3
1 January 2022	2,409	1,000	997	1,997	958
Additions	-	-	22	22	22
Disposals	-	-	(95)	(95)	(95)
31 December 2022	**2,409**	**1,000**	**924**	**1,924**	**885**
Accumulated amortisation					
1 January 2021	1,709	575	901	1,476	862
Charge for the year	-	100	35	135	35
1 January 2022	1,709	675	936	1,611	897
Charge for the year	-	100	59	159	59
Disposals	-	-	(95)	(95)	(95)
31 December 2022	**1,709**	**775**	**900**	**1,675**	**861**
Net book amount					
At 31 December 2022	**700**	**225**	**24**	**249**	**24**
At 31 December 2021	700	325	61	386	61
At 31 December 2020	700	425	93	518	93

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 expected future cash flows 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.

During 2018, an impairment charge of £675,000 was recognised as an exceptional non-cash item followed by a further non-cash impairment during 2019 of £1,034,000 such that goodwill relating to the ESE acquisition is £700,000.

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 which have not changed from those used in the prior year:

- Most recent budgets /forecasts for the next 5 years
- Extrapolation of expected future cash flows using a terminal growth rate of 2%
- Sales increase of 5% and then 2% growth over the period based on forecast performance
- 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%

The Directors performed sensitivity analysis on assumptions concerning sales growth assuming no growth over the period.
On this sensitised basis, there was sufficient headroom for the Director's to consider that there was no impairment charge required.

15. Investment in Subsidiary

On 27 March 2015 the Company acquired 100% of the issued share capital of ESE Direct Limited. The cost of investment was £4m. During 2018 an impairment provision of £1.4m was recorded followed by a further impairment of £1.1m in 2019 such that the net book value of the investment was £1.52m. 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	Principal Activity
ESE Direct Limited	Distribution of Industrial and Commercial Equipment
Eastern Storage Limited	Dormant
ESE Projects Limited	Dormant
Eastern Storage Equipment Limited	Dormant
Slingsby Trading Post Limited	Dormant
Slingsby Manufacturing Limited	Dormant
Slingsby Metro Equipment Limited	Dormant

16. Deferred Tax

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

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Deferred tax asset				
Retirement benefit obligations	**1,373**	1,985	**1,373**	1,985
Deferred tax liabilities				
Accelerated capital allowances	**(634)**	(649)	**(640)**	(653)
Short term temporary differences	**13**	9	**13**	9
Intangible asset	**(56)**	(82)	**-**	-
	(677)	(722)	**(627)**	(644)

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. The deferred tax asset has been recognised as it will be realised through the settlement of the pension liability.

Notes to the Accounts (continued)

16. Deferred Tax (continued)

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

	Pension liability	Tax losses	Accelerated capital allowances	Intangible assets	Total
Group	£'000	£'000	£'000	£'000	£'000
1 January 2021	1,553	7	(508)	(81)	971
(Charged)/credited to income statement	(59)	2	(141)	(1)	(199)
Credited to other comprehensive income	491	–	-	-	491
1 January 2022 – Group and Company	1,985	9	(649)	(82)	1,263
(Charged)/credited to income statement	(53)	4	15	26	(8)
Credited to other comprehensive income	(559)	–	-	-	(559)
31 December 2022	**1,373**	**13**	**(634)**	**(56)**	**696**

	Pension liability	Tax losses	Accelerated capital allowances	Total
Company	£'000	£'000	£'000	£'000
1 January 2021	1,553	7	(510)	1,050
(Charged)/credited to income statement	(59)	2	(143)	(200)
Credited to other comprehensive income	491	–	-	491
1 January 2022	1,985	9	(653)	1,341
(Charged)/credited to income statement	(53)	4	13	(36)
(Charged)/Credited to other comprehensive income	(559)	–	-	(559)
31 December 2022	**1,373**	**13**	**(640)**	**746**

17. Inventories

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Raw materials and work in progress	**308**	246	**308**	246
Finished goods and goods for resale	**2,375**	2,084	**2,375**	2,084
	2,683	2,330	**2,683**	2,330

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 £122,000 (2021: £131,000). The cost of inventories recognised as an expense and included in the Group's cost of sales was £15,143,000 (2021: £14,112,000) and £10,057,000 (2021: £9,443,000) for the Company. The provision for obsolete inventory at the year-end for the Group and Company is £773,000 (2021: £664,000).

18. Trade and Other Receivables

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade receivables	**2,589**	2,403	**2,022**	2,028
Receivables from subsidiary	**–**	–	**130**	98
Prepayments	**373**	361	**343**	339
	2,962	2,764	**2,495**	2,465

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 allowances. 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		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
At 1 January 2022	**7**	9	**3**	7
Expected credit loss	**24**	11	**23**	5
Unused provision reversed	**(4)**	(3)	**(3)**	(2)
Receivables written off	**(9)**	(10)	**(5)**	(7)
At 31 December 2022	**18**	7	**18**	3

Receivables due from subsidiary were not impaired at 31 December 2022 and 31 December 2021 as the subsidiary was profit and cash generative.

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

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Pound sterling	**2,454**	2,251	**2,017**	2,251
Euro	**135**	152	**135**	152
	2,589	2,403	**2,152**	2,126

19. Trade and Other Payables

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade payables	**1,850**	1,942	**1,365**	1,480
Payables to subsidiaries	**-**	-	**608**	608
Corporation tax payable	**103**	56	**29**	-
Other taxation and social security payable	**398**	354	**301**	267
Other payables	**6**	5	**3**	3
Accruals	**433**	583	**288**	372
Overdraft	**2,217**	1,653	**2,217**	1,653
	5,007	4,593	**4,811**	4,383

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.

Group and Company borrowings include overdraft and leases. The overdraft amounting to £2,217,000 (2021: £1,653,000) is repayable within one year.

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. 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. The overdraft element of the Group's banking facilities expires on the 30 April 2023 and is in the process of being renewed at a reduced level of £0.1m. The directors consider this to be adequate given the Group's cash and other available financing. The debtor finance facility remains unaffected. The debtor finance facility is a total of £2m (subject to suitable debt being available) and the overdraft facility (net of group cash) is the sum of £100,000.

20. Derivative Financial Instruments

	Group and Company			
	Assets		Liabilities	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Forward foreign currency contracts and options	**-**	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 2023. They have been valued using year end market data and the impact was less that £1,000.

21. Leases and financial commitments

The maturity of the lease obligations is set out below:

	Group		Company	
	2022	2021	**2022**	2021
Lease obligations	**£'000**	£'000	**£'000**	£'000
Not later than one year	**20**	32	**-**	-
Later than one year and not later than five years	**83**	-	**-**	-
Later than five years	**30**	-	**-**	-
Carrying value of liability	**133**	32	**-**	-

The Group agreed a new lease regarding premises for ESE which had expired in November 2022. The new lease commenced on 16 March 2023 and expires on 16 March 2029 with a break clause at 17 March 2026. The company held over the lease from expiry on 30 November 2022, and the lease has been deemed to commence on 1 December 2022 within these financial statements. The total cash outflow for leases during the year was £35,000 (2021 - £36,000).

The total lease liability at 31 December 2022 is £134,966 which has been recognised as a right of use asset under note 13. £19,923 is included in creditors due within one year and £113,423 is included in creditors due after more than one year.

Depreciation of £31,852 has been charged in relation to the right of use asset within 2022 and recognised as an administrative expense. Interest payable on the lease of £1,331 has been recognised as a finance cost.

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 (2021 - £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 principal financial instruments used by the Group from which financial risk arises are as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Financial assets				
Trade receivables (note 18)	**2,589**	2,403	**2,022**	2,028
Receivables from subsidiary (note 18)	**-**	-	**130**	98
Forward foreign currency contracts and options (note 20)	**-**	7	**-**	7
Cash and cash equivalents	**2,243**	1,999	**223**	121
	4,832	4,409	**2,375**	2,254
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Financial liabilities				
Debt financing and overdraft (note 19)	**2,217**	1,653	**2,217**	1,653
Payable to subsidiary (note 19)	**-**	-	**608**	608
Trade payables (note 19)	**1,850**	1,942	**1,365**	1,480
Accruals (note 19)	**433**	583	**288**	372
Other payables (note 19)	**6**	5	**3**	3
Lease obligations (note 21)	**20**	32	**-**	-
Forward foreign currency contracts and options (note 20)	**-**	-	**-**	-
	4,526	4,215	**4,481**	4,116

Notes to the Accounts (continued)

22. Financial Risk Management (continued)

Foreign Exchange Risk

The Group is exposed to foreign exchange risk from purchasing a portion of its supplies and by making a portion of its sales 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 Group made a foreign exchange gain of £19,000 in 2022 (2021 - £7,000 loss).

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

	Assets		Liabilities	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Euros	**207**	248	1	-
Dollars	**116**	16	-	-

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 continue to increase, the Group and Company's interest cost would rise. The Group does not use interest rate hedges. An analysis of maturity of the group's debtor finance and overdraft facilities is provided in note 21 above. The interest rates applicable to the group's debtor finance and overdraft facilities are disclosed in note 19.

Liquidity Risk

In the normal course of business the Group and Company is exposed to liquidity risk. The group's 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. Further details relating to the nature and maturity of the group's borrowing facilities are included in notes 19 and 21 above.

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 and is further described in note 18 above. There are no significant concentrations of credit risk.

The maximum exposure of the group at the end of the reporting period is the carrying value of financial assets totalling £4,832,000 (2021: £4,409,000).

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 2022, the gearing ratio was 0% (2021:0%).

24. Pension Commitments

Group and Company Retirement Benefit Obligations

At 31 December 2022 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 2023 fiscal year is £406,000. 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.

The Scheme 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 2020 and a shortfall of £11.3m against the Trustee's funding objective was identified. The Company agreed to pay contributions of £304,500 in 2020 (2019: £125,000) to remove the shortfall over 28 years. Contributions increased to £313,500 in 2021, £352,000 in 2022 and are scheduled at £406,000 in 2023. In 2021 an additional payment of £44,500 was made due to the Group's cash generation. No such payment was made in 2022.

The weighted average duration of the defined benefit obligation is 16 years.

In addition to the assets and liabilities which are stated below, the scheme has insured pensioner policies which have not been included within the valuation in these financial statements. This is because the quantum of these policies is not deemed significant against the overall liability.

Investment strategy

Approximately 42% (2021: 36%) of the Scheme's assets are held in equity type assets, and 56% (2021: 63%) are held in long term fixed interest and inflation linked securities.

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 56% 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.

Other risks

Actions taken by the local regulator, or changes to 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 0.5% would result in a decrease or increase of approximately £1.1m 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 £0.4m 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 2022 would be 21.4 (23.7) years and the future life expectancy from age 65 for a male (female) non-pensioner member currently aged 45 of 22.7 (25.2) 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 £0.6m.

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.

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 2020 and updated to 31 December 2021 and 31 December 2022 by a qualified independent actuary.

Notes to the Accounts (continued)

24. Pension Commitments (continued)

Reconciliation of the present value of the defined benefit obligation

	2022	2021
	£'000	£'000
Present value of defined benefit obligation at beginning of year	25,061	25,182
Settlement gain	-	-
Interest cost	445	361
Effect of changes in financial assumptions	(10,044)	121
Settlements paid	-	-
Benefits paid	(727)	(603)
Present value of defined benefit obligation at end of year	14,735	25,061

Reconciliation of fair value of scheme assets

	2022	2021
	£'000	£'000
Fair value of scheme assets at start of year	17,123	17,007
Interest income	304	244
Return on scheme assets	(7,809)	118
Contributions by the Company	352	357
Settlements paid	-	-
Benefits paid	(727)	(603)
Fair value of scheme assets at end of year	9,243	17,123

Amounts to be recognised in the balance sheet

	2022	2021
	£'000	£'000
Present value of funded obligation	14,735	25,061
Fair value of scheme assets	(9,243)	(17,123)
Net liability in balance sheet	5,492	7,938

Amounts to be recognised in the income statement

	2022	2021
	£'000	£'000
Interest on obligation	445	361
Interest income on scheme assets	(304)	(244)
Total expense	141	117

Total amount recognised in the statement of consolidated income (SOCI)

	2022	2021
	£'000	£'000
Actuarial (gain)/loss	(2,235)	3
Actuarial (gain)/loss recognised in (SOCI)	(2,235)	3

	2022	2021
	£'000	£'000
Pension cost		
Defined benefit scheme net interest charge	141	117
Defined contribution scheme	78	69
	219	186

Scheme assets

	2022	2022	2021	2021
	%	£'000	%	£'000
Equities	44	4,081	37	6,315
Gilts and bonds	56	5,162	63	10,808
Total scheme assets	100	9,243	100	17,123
Expected rate of return on scheme assets		4.95%		1.80%

At 31 December 2022 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

	2022	2021
	£'000	£'000
Company's own financial instruments	-	69

Notes to the Accounts (continued)

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:

	2022	2021
Discount rate	**4.95%**	1.80%
Long term rate of return on assets	**4.95%**	1.80%
RPI Inflation	**3.10%**	3.30%
CPI Inflation	**2.60%**	2.75%
Pension increases:		
Non-Executive pension accrued before 1 January 1992 (0% fixed)	**0.00%**	0.00%
Non-Executive pension accrued after 1 January 1992 (RPI max 5%)	**3.10%**	3.30%
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)	**4.30%**	4.30%
Pre and post retirement mortality		
Retiring today:		
- Males	**86.4**	86.5
- Females	**87.7**	87.8
Retiring in 20 years:		
- Males	**88.7**	88.8
- Females	**90.2**	90.2
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 £63,000 (2021: £55,000) 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 £15,000 (2021: £15,000) have been charged to operating profit.

At 31 December 2022, unpaid pension contributions to the Slingsby scheme were £13,478 (2021: £12,023). The respective amount for the ESE scheme was £2,769 (2021: £2,610).

25. Share Capital and Reserves

	2022	2022	2021	2021
Share Capital	**Number**	**£'000**	Number	£'000
Allotted, called up and fully paid				
Ordinary shares of 25p	**1,050,000**	**262**	1,050,000	262

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.

Reserves

The Share Premium reserve represents consideration paid in excess of the nominal value of shares allotted, net of the costs of issue.

Retained earnings represents all current and prior period retained profits and other comprehensive income.

26. 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 £125,000 (2021: £121,000) which includes £0 (2021: £0) of pension contributions and in respect of Morgan Morris £147,000 (2021: £142,000) which includes £3,319 (2021: £3,004) of pension contributions.

There were no other transactions with key management.

Company – Transactions With Subsidiaries

Sales amounting to £1,262,844 (2021: £1,263,722) were made by HC Slingsby plc to ESE Direct Limited. HC Slingsby plc levied management charges upon ESE Direct Limited of £180,000 in 2022 (2021: £180,000).

Purchases amounting to £nil (2021: £nil) were made by HC Slingsby plc from ESE Direct Limited.

Amounts due to ESE Direct Limited were £nil (2021: £nil) in respect of trading activities and £608,215 (2021: £608,215) in respect of an inter-company loan. Amounts due from ESE Direct Limited in respect of trade balances were £129,406 (2021: £97,780).

27. Movement in liabilities arising from financing activities

Group	At 1 January 2022	Cashflow	Acquisition of Leases	**At 31 December 2022**
	£'000	£'000	£'000	**£'000**
Bank overdraft (note 19)	(1,653)	(564)	-	**(2,217)**
Debt financing (note 19)	-	-	-	**-**
Lease obligations (note 21)	(32)	35	(136)	**(133)**
Cash and cash equivalents	1,999	244	-	**2,243**
Net (debt)/cash	314	(285)	(136)	**(107)**

Company	At 1 January 2022	Cashflow	**At 31 December 2022**
	£'000	£'000	**£'000**
Bank overdraft (note 19)	(1,653)	(564)	**(2,217)**
Debt financing (note 19)	-	-	**-**
Cash and cash equivalents	121	122	**223**
Net debt	(1,532)	(442)	**(1,994)**

28. Post Balance Sheet Event

On 30th March 2023, Slingsby acquired certain assets of Stakrak Limited ("Stakrak"). Stakrak trades primarily through the websites Stakrak, GasCageDirect and SecurityCagesDirect selling a range of similar and complimentary products but specialising in mesh cage solutions. The consideration for the purchase was £0.11m funded from existing cash resources.

Five Year Summary

	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Income Statement					
Turnover	**21,564**	19,824	21,806	19,568	19,817
Gross profit	**7,456**	6,645	7,612	6,743	6,950
Operating profit before exceptional item	**627**	410	1,263	446	520
Exceptional item	**-**	530	-	2,726	(891)
Profit/(loss) before tax	**485**	822	1,109	2,887	(633)
Profit/(loss) for the financial year	**380**	567	946	2,335	(662)
Earnings per share – basic and diluted	**36.2p**	54.0p	92.3p	233.5p	(66.2p)
Dividend Per Ordinary Share*:					
– Interim	**0.0p**	0.0p	0.0p	0.0p	0.0p
– Final	**0.0p**	0.0p	0.0p	0.0p	0.0p
Cash Flow Statement					
Cash (used in)/generated from operating activities	**(76)**	182	1,540	404	893
Balance Sheet					
Net current assets	**2,861**	2,475	2,142	1,044	734
Net assets	**4,319**	2,263	1,208	1,671	223
Pension deficit (net of deferred tax asset)	**(4,119)**	(5,953)	(6,622)	(5,443)	(7,004)
Net cash/(debt) excluding leases	**26**	346	275	(1,145)	(1,145)
Cash and cash equivalents	**2,243**	1,999	1,781	1,278	1,458

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

Notice of Annual General Meeting

Notice is given that the seventy fifth 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 15 June 2023 at 10am to consider and, if thought fit, pass the resolutions as set out below. Resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 to 8 as special resolutions.

Ordinary resolutions:

1. To receive the Company's annual accounts for the financial year ended 31 December 2022 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 annual general meeting at which accounts are laid before the Company.
4. To authorise the Directors of the Company to determine the remuneration of the auditors.
5. In substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, to authorise the Directors of the Company pursuant to section 551 of the Companies Act 2006 ("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 £87,500; and

   (b) comprising equity securities up to a nominal amount of £175,000 (including within such limit any equity securities issued under paragraph (a) above) in connection with an offer by way of a rights issue, open offer or otherwise:

      (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 and other pre-emptive issues):

      (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 £26,250;

   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 £26,250; and

(b) used only for the purpose of financing (or refinance if the authority is to be used within 12 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 105,000 (representing approximately 10 per cent. of the Company's issued share capital as at 28 April 2023);

(b) the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 25 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 AIM Appendix of 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 (as applicable and as amended by the Market Abuse (Amendment) (EU Exit) Regulations 2019/310);

(d) unless previously revoked or varied, the authority hereby conferred shall expire 15 months after the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company after the passing of this resolution; and

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

Registered Office

HC Slingsby plc
Otley Road
Baildon
Shipley
BD17 7LW

Registered in England and Wales No.00452716

By order of the Board

M.L. Morris

Company Secretary
15th May 2023

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at close of business on 13 June 2023 (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.

   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.

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

3. You can vote either:

   - by logging on to www.signalshares.com and following the instructions;
   - if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10 am on 13 June 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
   - You may request a hard copy form of proxy directly from the registrars, Link Group (previously called Capita),by email at shareholderenquiries@linkgroup.co.uk or on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. 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 Group at Central Square, 29 Wellington Street, Leeds, LS1 4DL by 10 am on 13 June 2023.

   Completion of the form of proxy or appointment or a proxy through CREST will not prevent a member from attending and voting in person.

   Any member or his proxy attending the General Meeting has the right to ask any question at the Annual General Meeting relating to the business of the Annual General Meeting.

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). 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 & International 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 13 June 2023. 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 & International 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 Un-certificated 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 12th May 2023 (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 1,050,000 Ordinary Shares of 25 pence each, carrying one vote each. No Ordinary Shares are held by the Company in treasury. Therefore, the total voting rights in the Company as at 12th May 2023 are 1,050,000.

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 £87,500 (representing 350,000 Ordinary Shares). This amount represents approximately 33.3% of the issued Ordinary Share capital of the Company as at the 'Latest Practicable Date'.

The Board is aware of the latest Investment Association Share Capital Management Guidelines published in February 2023 ("IA Guidelines"), which update the previous guidance to incorporate all fully pre-emptive offers, not just fully pre-emptive rights issues, in respect of the authority to allot a further (one third) of the issued share capital of the Company. Accordingly, in line with the IA Guidelines, the Board is seeking this revised authority in order to provide flexibility to the Company.

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 an offer by way of rights issue, open offer or otherwise to existing shareholders in proportion (as nearly as may be practicable) to their existing holdings, up to an aggregate nominal amount of £175,000 (representing 700,000 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.

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 £26,250 (representing 105,000 Ordinary Shares). This aggregate nominal amount represents 10% of the issued Ordinary Share capital of the Company as at the Latest Practicable Date and could be used for any purpose. This disapplication authority is in line with institutional shareholder guidance, and in particular, with the Pre-Emption Group's

Statement of Principles (the "Principles") revised in November 2022.

The Principles allow the authority for an issue of shares for cash otherwise than in connection with a pre-emptive offer to be increased so that the non-pre-emptive issue of shares represents:

(i) no more than 10% of the Company's issued share capital, whether or not in connection with an acquisition or specified capital Invested (a general disapplication); and

(ii) no more than an additional 10% of the Company's issued share capital, provided that it is intended to be used only in connection with the financing (or refinancing, if the authority is to be used within 12 months after the original transaction) of an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding 12 month period and is disclosed in the announcement of the issue.

Resolution 7 gives the Directors the additional authority, as described in (ii) above, 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 10% of the Company's issued share capital, in addition to the authority proposed to be granted pursuant to resolution 6 reflects institutional shareholder guidance and the Principles. This authority would be limited to the allotment of equity securities for cash up to an additional aggregate nominal amount of £26,250 (representing 105,000 Ordinary Shares). This aggregate nominal amount represents 10% 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 105,000 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) (as applicable and as amended by the Market Abuse (Amendment) (EU Exit) Regulations 2019/310).

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.

Notes

Notes

Slingsby

Your workplace partner

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