

# H C SLINGSBY PLC

## ANNUAL REPORT & ACCOUNTS

For the Year Ended 31 December 2011

**Slingsby**  
Your workplace partner

TUESDAY



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COMPANIES HOUSE

COMPANY NUMBER 00452716

HC Slingsby PLC, Otley Road, Baldon, West Yorkshire BD17 7LW

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# **Slingsby**

Your workplace partner

Annual Report & Accounts for the year ended 31 December 2011

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**We are :**

one of the UK's market leaders in the distance selling of industrial and commercial equipment.

**We do :**

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

**online  
catalogue**

**Our commitment :**

providing our customers with an extensive product range, outstanding service and efficient delivery.

**Over 300  
purchases  
per day**

**35,000  
products**

# Directors and Advisers

## Directors

J R Waterhouse –  
Non-Executive Chairman  
D S Slingsby – Managing Director  
C J Slingsby – Sales Director  
R G Hudson – Financial Director  
L R Wright – Marketing Director

## Company Secretary

R G Hudson

## Registered Office

Otley Road  
Baldon, Shipley  
West Yorkshire BD17 7LW  
Tel (01274) 535030  
Fax (01274) 535035

## Registered Number

452716

## Registrars

Capita Registrars plc  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## Independent Auditors

PricewaterhouseCoopers LLP  
Benson House  
33 Wellington Street  
Leeds LS1 4JP

## Solicitors

Squire Sanders (UK) LLP  
2 Park Lane  
Leeds LS3 1ES

## Financial Advisors and Stockbrokers

Merchant Securities Limited  
1 City Square  
Leeds LS1 2ES

## Bankers

HSBC plc  
47 Market Street  
Bradford  
West Yorkshire BD1 1LW

## Website and E-Mail

The company's website address is  
[www.slingsby.com](http://www.slingsby.com)

The company's e-mail address is  
[sales@slingsby.com](mailto:sales@slingsby.com)

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## Statement by the Chairman

23,000  
customers

The year under review was characterised by challenging conditions. There was a marked slowdown in activity levels in late April and May 2011 and the trading environment then remained subdued for the rest of the year. Against this backdrop, sales and profit before taxation were £15.2m (2010: £16.7m) and £0.4m (2010: £1.1m) respectively.

The group recorded a net cash outflow from operations of £0.1m (2010: £1.3m inflow), reflecting the lower trading levels and a change in supply chain strategy towards holding higher levels of our faster moving lines in stock to facilitate next day delivery and better purchase prices. Net cash was £2.4m at 31 December 2011 (2010: £3.4m).

The deficit on the group's defined benefit scheme (as measured in accordance with IAS 19) increased to £8.7m (2010: £6.7m), driven primarily by lower bond yields increasing scheme liabilities and weaker equity market returns, thus reducing scheme assets. The group is making monthly payments into the scheme as part of an ongoing pension deficit management plan. The scheme closed to future accrual in 2009.

The group continues to invest in information technology, establishing links with suppliers and customers. Recognising

the vital importance of an easy to use website fully integrated with our main business processes, we have decided to invest in a replacement enterprise system and we are currently at the stage of requirement analysis with the preferred supplier.

Activity during the first three months of 2012 has continued at a similar level to the second half of 2011 and therefore we have taken action after the year end to reduce overheads. Whilst the board remains very cautious about the possibility of any upturn, we believe that the group's strong cash balance puts us in a good position to take advantage of opportunities as and when the economic climate improves.

On behalf of the board I wish to thank our loyal staff who have once again served the company well in a difficult year.

The board is recommending a final dividend of 28.0p (2010: 35.0p). The total dividend is therefore 32.0p (2010: 40.0p). The record date will be 1 June 2012 and the payment date 3 July 2012.

**J. R. Waterhouse**  
Non-Executive Chairman  
23 May 2012

## Award Winning

Slingsby saw off competition from across the region to win Business in the Community's (BITC) Yorkshire and Humber Long Term Environmental Improvement Award

The company was joint winner and had its environmental performance in key areas benchmarked against a wide range of other leading businesses throughout Yorkshire and the Humber. The companies that displayed the most consistent year-on-year improvements over the last three years then made it through to the finals.

### **Dominic Slingsby, Managing Director of Slingsby explains:**

*"We're delighted to win this award. In recent years we have been firmly committed to reducing our environmental impact and we continually look at where and how further improvements can be made. We've installed high quality insulation throughout our premises, de-stratification fans that recirculate high level warm air, aluminium framed double glazed window units and we even reshape trees that block natural light.*

*In addition we have recycling stations across our premises and use compactors that reduce the skips we need for waste and enable us to recycle approximately five tonnes of plastic each year. As well as the environmental benefits these initiatives also reduce costs which is good news for the company as a whole."*

# Business Review

## Principal activities and business environment

H C Slingsby plc is incorporated and domiciled in the United Kingdom and based in Baldon, West Yorkshire

The group and the company's principal activities are the merchandising and distribution of a highly diversified range of industrial and commercial equipment primarily consisting of incidental purchasing supplies. The range spanning some 35,000 products includes the following sectors, materials handling, access, storage and shelving, office, safety and security, janitorial, mailroom and packaging, workshop and maintenance, environmental and waste management, premises, signs and labels, flooring and matting

The business environment is a highly fragmented sector consisting of a small number of directly comparable distant selling organisations and an increasingly large number of specialist distributors. Our customer base is similarly diverse and consequently demand derived from these organisations is reflective of the current macro-economic circumstances

## Company strategy

The company still recognises that the traditional route to market is very important to the business, however, we are also seeking to build upon our strengths in distance selling

and further enhance our capabilities through the use of e-commerce. We believe that the successful deployment of e-commerce will offer the greatest opportunity for growth

As a generalist catalogue company with a wide ranging portfolio we understand the rapidly growing importance of having an intuitive, dynamic website. By further developing our web offering during 2012 and 2013 this will allow us to respond and compete with single product website competitors. This will in turn enable us to focus on more targeted and dynamic campaigns to increase the efficiency and relevance to the customer

Our strategy of improving the customer service we provide is being given further impetus by the public scrutiny of our performance that can be found on our website via the Feefo link. This link provides our customers with the opportunity to rate our products and service. This rating is then available for future visitors to our site so they can buy with confidence

During these continued recessionary times, businesses will aggressively seek to cut the cost of procurement. By keeping our focus on providing value, choice, quality and service in our product offering we are in the right place to be chosen by more companies as their Workplace Partner

## Continuing to invest in our product ranges

The recent cold weather increased sales at a newly opened Yorkshire salt facility which was recently launched by Slingsby to complement the company's wide range of winter related products. The salt distribution centre and bagging plant enables the company to provide next day delivery anywhere in the UK on salt, rock salt and grit in quantities ranging from 5kg to 1 tonne bags

Thousands of deliveries of salt throughout the UK have been made to numerous customers, from both the commercial and domestic markets

### Lee Wright, Marketing Director of Slingsby:

*"In recent years there have been major salt shortages and as the UK's leading workplace equipment provider we decided to tackle the problem head on*

*Every year we continue investing in our product ranges in order to meet the demands of the market and now offer a vast range of winter products. These products are proving to be a huge success and the feedback we're receiving about them is fantastic "*

We continue to expand our next day delivery offer in line with our already stated desire to better control the supply chain

The Republic of Ireland is proving to be every bit as tough a market as the United Kingdom. We believe that in these demanding times we need to continue to provide a strong service in Ireland and we have therefore recruited an experienced territory manager to provide specialist local advice to further strengthen our presence in the Republic of Ireland

Coupled with our already strong and comprehensive offer we believe we will be better able to operate in this extremely tough and depressed market

The company recognised the importance of social responsibility and the business case for strengthening customer perception of our brand and is committed to business sustainability. Internally, our Environmental Management System is certified to ISO 14001 ensuring compliance to applicable legislation, as well as continued improvement of our impact through management of material, resource and energy usage. Frequent review of our product offering and our various routes to market take advantage of developing technologies, increased recycled material content and reduced or improved packaging

The directors believe that the company's strong brand values of quality, reliable and service excellence remain true today as they have done over the past 119 years of trading and this is recognised by the significant number of repeat customers who, in an increasingly fragmented marketplace, remain loyal to Slingsby

#### ■ Key Performance Indicators and Business Performance

	2011	2010
Sales	<b>(8.6%)</b>	5.2%
Return on capital employed	<b>9.6%</b>	17.5%
Return on sales	<b>2.8%</b>	6.5%
Gross profit margin	<b>44.5%</b>	44.3%

#### Notes

- 1 Return on capital employed is calculated as profit before taxation over the total equity at the year end
- 2 Return on sales is calculated as profit before taxation over turnover

**17,000**  
salt deliveries

# Business Review continued

## Focused on Excellent Service

Our skilled staff can provide advice or guidance and we can manufacture or source solutions especially for our customers

Our no quibble guarantee and 12 month warranty scheme provides complete peace of mind. Nothing is too much trouble, we'll do all we can to accommodate our customers' needs. We don't do gimmicks, expensive free gifts or reward points just great value and fantastic service, a package we feel that our customers find hard to beat.

### Principal risks and uncertainties

The directors recognise that within the business there are a number of risks that may affect the performance of the business. 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 allows 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 current strained economic environment could result in a general reduction in business activity and a consequent loss of income for the group. The current credit market conditions mean financial institutions are applying more stringent lending criteria and the availability of debt is low by historical comparison thus affecting our customer demand patterns.

The main risk arising from the group's financial instruments is liquidity risk. The group ensures that it has sufficient cash resources 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. At present the directors do not believe that the group has significant interest rate risk and consequently does not mitigate against such risk. The board keeps these risks under regular review.

#### Commercial relationships

The group benefits from many long-term relationships with key customers but having many thousands of customers gives us lower revenue concentration risk. The group, which has no significant supplier dependency, is in frequent contact with its suppliers to ensure that it is fully aware of market trends and innovations.

#### Technology changes

The group has run a project to appraise the changes and developments in markets for its products. As a result of this project we have decided to extend the existing e-commerce strategy with a number of investments designed to give the business state-of-the-art ordering and fulfilment facilities. These investments include:

- Development of a new website designed for ease of use and conversion of user browsing into order placement,
- Back office system replacement to improve business process and to provide ease of change to web presentation,

**10,000**  
calls handled per month

- A major upgrade of the existing catalogue production system to support the new e-commerce solutions,
- Significant investment in enhancing the data within the existing systems, and
- A major renewal of existing hardware to efficiently support the new infrastructure

This project will be implemented over the next 15 months and will impact our customers from the latter end of 2013

#### Competition

The group recognises that although it operates primarily within the UK it has to be mindful of highly competitive pan-European and global activity as well as service and performance criteria in local markets. Margins are carefully monitored and the commercial offering is adjusted where appropriate

#### Regulatory

To ensure that we remain fully compliant with all regulatory requirements we constantly monitor changes in legislation, regulations and standards of quality, 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

To demonstrate our commitment to continuous improvement in both Quality and Environmental Management we remain

fully accredited to the international standards ISO 9001:2008 and ISO 14001:2004 respectively

#### Pensions

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

#### Health and safety

The group has statutory health and safety policies and procedures in place. A detailed reporting structure enables improvements to be continually made and thus risks are managed and mitigated

#### ■ Environmental sustainability

In addition to statutory and regulatory compliance, the group takes pride in its environmental initiatives which have been recognised by winning prestigious awards for carbon reduction. Continued efforts during the past year have seen further substantial reduction in electricity usage following the investment in the latest high efficiency warehouse lighting

# Report of the Directors

The directors are pleased to present their annual report and audited consolidated accounts for the year ended 31 December 2011

## Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are listed on page 10

## Principal Activities

The group and the company's principal activities are the merchanting and distribution of a highly diversified range of industrial and commercial equipment primarily consisting of incidental purchasing supplies

## Business Review

A review of the business is presented on pages 4 to 7

## Dividends

The following dividends have been proposed for the 2011 financial year

	£'000
An interim dividend of 4.0p per share (2010 5.0p per share) paid in January 2012 amounted to	40
The directors recommend a final dividend of 28.0p per share (2010 35.0p per share) amounting to	280

## 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 2011	1 January 2011
J R Waterhouse	1,000	1,000
C J Slingsby	53,886	53,886
D S Slingsby	51,167	51,167
R G Hudson	3,400	3,400
L R Wright	2,000	2,000

There have been no other changes in the directors' shareholdings between 31 December 2011 and 23 May 2012

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

In addition to the above, C J Slingsby and D S Slingsby together have a non-beneficial interest in respect of 64,000 (2010 64,000) ordinary shares

## Substantial Interests

So far as the directors are aware there were the following substantial interests, other than those included in directors' interests, in the shares of the company at 23 May 2012

	Number of ordinary shares of 25p each	Percentage holding
M Chadwick (registered in the name of Goodbody Stockbrokers Nominees Ltd)	69,995	6.9%
J Crowther Jones and T E Jones	54,866	5.5%
J H Ridley	54,302	5.4%
S E Slingsby	51,167	5.1%
M Miller	48,381	4.8%
H Slingsby	47,138	4.7%
P S Allen	37,440	3.7%
K J Williams	37,000	3.7%
S Whittaker	32,500	3.3%
C Bennett (registered in the name of Rock (Nominees) Ltd)	32,000	3.2%
S A Williams	30,835	3.1%
H C Slingsby plc Retirement Benefits Scheme	30,061	3.0%

## Payments to Suppliers

The company agrees terms and conditions under which business transactions with its suppliers are conducted. It is the company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions

Trade creditor days of the company at 31 December 2011 represented 35 days (2010 48 days) purchases, based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors

### **Financial Instruments**

The group's financial instruments comprise cash, forward foreign exchange contracts and various items such as trade debtors and trade creditors 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 20.

### **Indemnification of Directors**

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

### **Audit Information**

So far as each of the directors are 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 PriceWaterhouseCoopers 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 10 of the financial statements.

By order of the board



**R. G. Hudson**

Company Secretary  
23 May 2012

# Corporate Governance

As the company is listed on the Alternative Investment Market of the London Stock Exchange, compliance with the UK Corporate Governance Code (2010) is not mandatory. However, the board is mindful of its recommendations and believes in providing a framework for establishing good corporate governance and accountability. The following is a summary of procedures supporting this approach.

## The Board

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

The board comprised the following:

J. R. Waterhouse — Non-Executive Chairman\*  
D. S. Slingsby — Managing Director\*  
C. J. Slingsby — Sales Director  
R. G. Hudson — Financial Director and Company Secretary  
L. R. Wright — Marketing Director

\* Member of both Audit and Remuneration Committee

## Relations with Shareholders

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

## Going Concern

After making appropriate enquiries, including a review of forecasts and strategic plans, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in preparing the group's accounts.

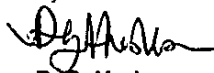
## Internal Controls

The board acknowledges that it is responsible for the group's system of internal control and for reviewing its effectiveness.

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

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

By order of the board



**R. G. Hudson**  
Company Secretary  
23 May 2012

# Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business

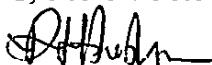
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group 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 group website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Each of the directors, whose names and functions are listed in the Corporate Governance section of this annual report, confirms that, to the best of their knowledge

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board



**R. G. Hudson**  
Company Secretary  
23 May 2012

# Financial Statements

## Independent Auditors' Report

### Independent Auditors' Report to the members of H C Slingsby plc

We have audited the group and parent company financial statements (the "financial statements") of H C Slingsby plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, Statements of Consolidated and Company Comprehensive Income, Statement of Consolidated Changes in Shareholders' Equity, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Company Cash Flow Statement, Note to the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

### Opinion on financial statements

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 2011 and of the group's profit and group's and parent company's cash flows for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

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

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



**Arif Ahmad (Senior Statutory Auditor)**

For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
23 May 2012

# Financial Statements

## Consolidated Income Statement

for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Revenue</b>	2	<b>15,221</b>	16,652
Cost of sales		<b>(8,442)</b>	(9,272)
<b>Gross profit</b>		<b>6,779</b>	7,380
Distribution costs		<b>(3,630)</b>	(3,558)
Administrative expenses		<b>(2,516)</b>	(2,563)
<b>Operating profit</b>	5	<b>633</b>	1,259
Finance income	6	<b>38</b>	38
Finance costs	7	<b>(249)</b>	(215)
<b>Profit before taxation</b>		<b>422</b>	1,082
Taxation	8	<b>(102)</b>	(365)
<b>Profit for the year attributable to owners of the parent</b>		<b>320</b>	717
<b>Basic and diluted earnings per share</b>	9	<b>32.0p</b>	71.7p

# Statements of Consolidated and Company Comprehensive Income

for the year ended 31 December 2011

	Note	Group		Company	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Actuarial loss on pension scheme	22	(2,188)	(394)	(2,188)	(394)
Movement in deferred tax relating to pension liability	15	503	42	503	42
Exchange adjustment		(7)	(9)	–	–
<b>Net expense recognised directly in equity</b>		<b>(1,692)</b>	<b>(361)</b>	<b>(1,685)</b>	<b>(352)</b>
Profit for the year		320	717	305	704
<b>Total comprehensive (expense)/income recognised for the year attributable to owners of the parent</b>		<b>(1,372)</b>	<b>356</b>	<b>(1,380)</b>	<b>352</b>

## Statement of Consolidated Changes in Shareholders' Equity

Group	Note	Called up share capital £'000	Retained earnings £'000	Translation reserve £'000	Total equity £'000
1 January 2010		250	5,865	38	6,153
Total comprehensive income for the year		–	365	(9)	356
Dividends paid	11	–	(340)	–	(340)
1 January 2011		250	5,890	29	6,169
Total comprehensive expense for the year		–	(1,365)	(7)	(1,372)
Dividends paid	11	–	(400)	–	(400)
<b>31 December 2011</b>		<b>250</b>	<b>4,125</b>	<b>22</b>	<b>4,397</b>

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

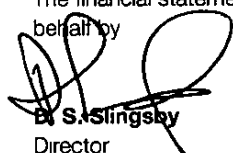
# Financial Statements

## Consolidated Balance Sheet

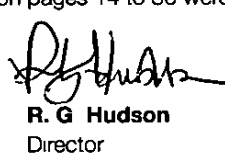
as at 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	6,566	6,642
Intangible assets	13	117	202
Deferred tax asset	15	1,305	824
		<u>7,988</u>	<u>7,668</u>
<b>Current assets</b>			
Inventories	16	2,272	1,785
Trade and other receivables	17	2,553	3,233
Cash and cash equivalents		2,439	3,420
		<u>7,264</u>	<u>8,438</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	(1,995)	(2,960)
Derivative financial instruments	19	-	(8)
Current tax liabilities		(122)	(308)
		<u>(2,117)</u>	<u>(3,276)</u>
		<u>5,147</u>	<u>5,162</u>
<b>Net current assets</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligation	22	(8,738)	(6,661)
		<u>4,397</u>	<u>6,169</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	23	250	250
Retained earnings		4,125	5,890
Translation reserve		22	29
		<u>4,397</u>	<u>6,169</u>
<b>Total equity</b>			

The financial statements on pages 14 to 36 were approved by the Board of Directors on 23 May 2012 and were signed on its behalf by



**B. S. Slingsby**  
Director



**R. G. Hudson**  
Director

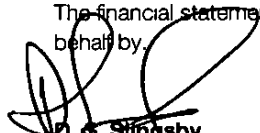
H C Slingsby plc  
Registered Number 452716

# Company Balance Sheet

as at 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	6,566	6,642
Intangible assets	13	117	202
Deferred tax asset	15	1,305	824
		<u>7,988</u>	<u>7,668</u>
<b>Current assets</b>			
Inventories	16	2,272	1,785
Trade and other receivables	17	2,519	3,201
Cash and cash equivalents		2,172	3,151
		<u>6,963</u>	<u>8,137</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	(1,964)	(2,921)
Derivative financial instruments	19	-	(8)
Current tax liabilities		(118)	(304)
		<u>(2,082)</u>	<u>(3,233)</u>
		<u>4,881</u>	<u>(4,904)</u>
<b>Net current assets</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligation	22	(8,738)	(6,661)
		<u>4,131</u>	<u>5,911</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	23	250	250
Retained earnings		3,881	5,661
<b>Total equity</b>		<u>4,131</u>	<u>5,911</u>

The financial statements on pages 14 to 36 were approved by the Board of Directors on 23 May 2012 and were signed on its behalf by:

  
D. G. Slingsby  
Director

  
R. G. Hudson  
Director

H C Slingsby plc  
Registered Number 452716

# Financial Statements

## Consolidated Cash Flow Statement

for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations		(81)	1,344
UK corporation tax paid		(265)	(49)
<b>Cash (used in)/generated from operating activities</b>		<b>(346)</b>	<b>1,295</b>
<b>Cash flows from investing activities</b>			
Interest received		34	28
Purchase of property, plant and equipment	12	(313)	(394)
Proceeds from sales of property, plant and equipment		51	65
<b>Net cash outflow from investing activities</b>		<b>(228)</b>	<b>(301)</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid	11	(400)	(340)
<b>Net cash outflow from financing activities</b>		<b>(400)</b>	<b>(340)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(974)</b>	<b>654</b>
Opening cash and cash equivalents		3,420	2,775
Exchange differences		(7)	(9)
<b>Closing cash and cash equivalents</b>		<b>2,439</b>	<b>3,420</b>

# Company Cash Flow Statement

for the year ended 31 December 2011

	2011	2010
Note	£'000	£'000
<b>Cash flows from operating activities</b>		
Cash (used in)/generated from operations	(89)	1,321
UK corporation tax paid	(262)	(23)
<b>Cash (used in)/generated from operating activities</b>	<u>(351)</u>	<u>1,298</u>
<b>Cash flows from investing activities</b>		
Interest received	34	28
Purchase of property, plant and equipment	12 (313)	(394)
Proceeds from sales of property, plant and equipment	51	65
<b>Net cash outflow from investing activities</b>	<u>(228)</u>	<u>(301)</u>
<b>Cash flows from financing activities</b>		
Equity dividends paid	11 (400)	(340)
<b>Net cash outflow from financing activities</b>	<u>(400)</u>	<u>(340)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(979)</u>	657
Opening cash and cash equivalents	3,151	2,494
<b>Closing cash and cash equivalents</b>	<u>2,172</u>	<u>3,151</u>

# Financial Statements

## Note to the Cash Flow Statements

for the year ended 31 December 2011

### Cash generated from Operations

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Profit before tax	422	1082	403	1068
Finance costs	211	177	211	177
Depreciation and amortisation	439	455	439	455
Profit on sale of property, plant and equipment	(11)	(19)	(11)	(19)
Difference between pension charge and contributions	(360)	(360)	(360)	(360)
Increase in inventories	(487)	(398)	(487)	(398)
Decrease/(increase) in trade and other receivables	679	(546)	681	(555)
(Decrease)/increase in trade and other payables	(974)	953	(965)	953
<b>Cash (used in)/generated from operating activities</b>	<b>(81)</b>	<b>1,344</b>	<b>(89)</b>	<b>1,321</b>

# Notes to the Accounts

## 1. Accounting Policies

### Basis of Preparation

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

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and with the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements. The financial statements are prepared under the historical cost convention, except for derivative financial instruments which are measured at fair value.

The principal accounting policies adopted for the year ended 31 December 2011 are set out below.

### Accounting Developments

#### Impact of new International Financial Reporting Standards – Adopted for 2011

The group has adopted the following new and amended IFRSs as of 1 January 2011:

IAS 24 (revised) 'Related party disclosure',  
IFRIC 14 (Amendment) 'Prepayments of minimum funding requirement',  
IFRIC 19 'Extinguishing financial liabilities with equity investments',  
Annual improvements to IFRS 2010

Standards and interpretations adopted in the year had no significant impact on the financial statements.

#### Standards, amendments and interpretations that are not yet effective and have not been early adopted

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2011 or later periods, but which the group and company have not early adopted:

Amendments to IFRS 7 'Financial Instruments Disclosures',  
Amendment to IAS 19 'Employee benefits',  
Amendment to IAS 1 'Financial Statement presentation',  
IFRS 9 'Financial instruments',  
IFRS 10 'Consolidated financial statements',  
IFRS 11 'Joint arrangements',  
IFRS 12 'Disclosures of interests in other entities',  
IFRS 13 'Fair value measurement',  
IAS 27 (revised 2011) 'Separate financial statements'

The adoption of the above is not expected to have a significant impact on the financial statements.

### Basis of Consolidation

The financial statements of the group consolidate the financial statements of H C Slingsby plc and its subsidiary undertaking up to 31 December 2011 using acquisition accounting. The results of subsidiary undertakings acquired during a financial period are included from the effective date of acquisition. Intra-Group sales, Intra-Group balances and Intra-Group profits are eliminated fully on consolidation. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the group.

# Financial Statements

## Notes to the Accounts continued

### 1. Accounting Policies (continued)

#### 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 period. Actual results could materially differ from these estimates. Information about such judgements and estimation is contained in individual accounting policies.

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

- Assumptions used in the calculation of the defined benefit pension scheme liability (note 22), and
- Allowances against the valuation of inventories
- Assumptions used in the calculation of deferred tax assets

#### Revenue and Recognition of Income

Revenue comprises the fair value of the consideration received or receivable from the sale of goods in the ordinary course of the group's activities. Revenue is shown net of value added tax, returns, rebates and discounts. Revenue is recognised on despatch of goods or when the services have been provided.

#### Employee benefits

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

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

Current and past service costs are charged to operating profit and finance costs and expected returns on assets to financing costs or income. Actuarial gains and losses arising from new valuations and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in full in the statement of comprehensive income.

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

#### Leases

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

#### Foreign Currency

Foreign currency transactions are translated using exchange rates prevailing at the date of the transactions. Per IAS 21 assets and liabilities are translated at exchange rates ruling at the end of each financial period, gains and losses on retranslation are recognised in the income statement.

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

#### Property, Plant and Equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and any provision for impairment. Cost comprises purchase cost together with any incidental costs of acquisition. Depreciation is provided to write off the cost less the estimated residual value of the property, plant and equipment assets 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

## 1. Accounting Policies (continued)

Freehold buildings	— 2% per annum
Equipment	
Computer and electronic equipment	— 33% per annum
Motor vehicles	— 25% per annum
Other	— 10%–20% per annum

Freehold land is not depreciated

### Intangible Assets

Intangible assets 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 over which the group expects to benefit from these assets. Provision is made for any impairment in value if applicable.

IT software costs are amortised at a rate of 33% per annum.

### Investments

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

### Deferred Taxation

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxation entity or different taxation entities where there is an intention to settle the balance on a net basis.

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

### Inventories

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

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

### Trade and Other Receivables

Trade and other receivables are stated at cost less provisions, where appropriate.

### Trade Catalogues

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

### Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings on the balance sheet.

### Trade and other payables

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

# Financial Statements

## Notes to the Accounts continued

method

### 1 Accounting Policies (continued)

#### Derivative Financial Instruments

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

#### Share Capital

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

#### Dividends

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

#### Current Taxation

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

### 2. Segmental Reporting

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

The group only has one business segment, which is its principal activity, being the merchanting and distribution of industrial and commercial equipment. All of the group's revenue, profits, assets and liabilities are wholly attributable to that business segment. The operations of the group are based in the UK and the Republic of Ireland. The Republic of Ireland operation makes up less than 10% of the group's revenue and assets.

### 3. Employee information

	2011 £'000	2010 £'000
Staff costs for the group during year		
Wages and salaries	2,766	2,783
Social security costs	263	275
Pension costs (note 22)	499	459
	<u>3,528</u>	<u>3,517</u>

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

2011 Number	2010 Number
<u>115</u>	<u>112</u>

#### 4. Directors' remuneration

	2011 £'000	2010 £'000
Aggregate emoluments	<u>485</u>	<u>578</u>
Highest paid director		
Aggregate emoluments	124	156
Defined benefit scheme accrued pension at end of year	<u>77</u>	<u>76</u>

Three directors accrue benefits under a defined contribution pension scheme (2010 three)

#### 5. Operating Profit

Operating profit is stated after (crediting)/charging

	2011 £'000	2010 £'000
Profit on disposal of property, plant and equipment	(11)	(19)
Depreciation on property, plant and equipment	321	361
Amortisation of intangible asset	118	94
Operating lease charges		
— land and buildings	15	17
— other	7	6
Foreign exchange gains on operating activities	(12)	(15)
Services provided by the company's auditors		
Fees payable to the company's auditors for the audit of parent company and consolidated financial statements	40	44
Fees payable to the company's auditors for other services		
Other audit services pursuant to legislation		
The audit of companies subsidiaries pursuant to legislation	6	5
Other services pursuant to legislation		
Tax services	8	8
	<u>54</u>	<u>57</u>

#### 6. Finance Income

	2011 £'000	2010 £'000
Bank interest receivable	<u>38</u>	<u>38</u>

# Financial Statements

## Notes to the Accounts continued

### 7. Finance Costs

	2011 £'000	2010 £'000
Net retirement benefit obligation finance costs (note 22)	<u>249</u>	<u>215</u>

### 8. Taxation

	2011 £'000	2010 £'000
<b>Current year</b>		
UK corporation tax		
— current year	122	308
— adjustments in respect of prior years	<u>(42)</u>	<u>(22)</u>
	<u>80</u>	<u>286</u>
<b>Deferred tax</b>		
UK deferred tax		
— origination and reversal of timing differences	20	11
— adjustments in respect of prior years	<u>2</u>	<u>68</u>
	<u>22</u>	<u>79</u>
<b>Total taxation</b>	<u>102</u>	<u>365</u>

Factors affecting the tax charge for the year

	2011 £'000	2010 £'000
Profit before taxation	<u>422</u>	<u>1,082</u>
Tax at the UK corporation tax rate of 26.5% (2010: 28%)	112	303
Expenses not deductible for tax purposes	30	16
Adjustments to tax in respect of prior years		
— current year	(42)	(22)
— deferred tax	<u>2</u>	<u>68</u>
Tax charge for the year	<u>102</u>	<u>365</u>

A resolution passed by Parliament on 29 March 2011 and effective from 1 April 2011 reduced the main rate of corporation tax to 26% from 1 April 2011

A number of further changes to the UK Corporation tax system were announced in the March 2011 and March 2012 UK Budget Statements. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was substantively enacted on 5 July 2011 and the reduction to 24% from 1 April 2012 was substantively enacted on 26 March 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. The changes which had not been substantively enacted at the balance sheet date are not included in these financial statements.

The expected effect of the decrease in tax rates will reduce the deferred tax asset on the balance sheet.

## 9. Earnings per share

Basic earnings per share is based upon earnings of £320,000 (2010 £717,000) and on 1,000,000 (2010 1,000,000) 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

## 10. Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, the company has not published its own income statement. The result of the company for the financial year was a profit of £305,000 (2010 £704,000)

## 11. Dividends

	2011 £'000	2010 £'000
Interim dividend paid for the 2010 financial year of 5 Op (2009 4 Op)	50	40
Final dividend paid for the 2010 financial year of 35 Op (2009 30 Op)	350	300
	<u>400</u>	<u>340</u>

Dividends proposed for the 2011 financial year are set out in the directors' report. These will be paid in 2012 and have not been accrued in the financial statements

## 12. Property, plant and equipment

Group and Company	Freehold land and buildings £'000	Equipment £'000	Total £'000
<b>Cost</b>			
1 January 2010	6,526	2,409	8,935
Additions	-	258	258
Disposals	-	(280)	(280)
1 January 2011	6,526	2,387	8,913
Additions	68	218	286
Disposals	-	(151)	(151)
<b>31 December 2011</b>	<b>6,594</b>	<b>2,454</b>	<b>9,048</b>
<b>Accumulated depreciation</b>			
1 January 2010	394	1,749	2,143
Charge for the year	103	258	361
Disposals	-	(233)	(233)
1 January 2011	497	1,774	2,271
Charge for the year	103	218	321
Disposals	-	(110)	(110)
<b>31 December 2011</b>	<b>600</b>	<b>1,882</b>	<b>2,482</b>
<b>Net book amount</b>			
<b>At 31 December 2011</b>	<b>5,994</b>	<b>572</b>	<b>6,566</b>
At 31 December 2010	6,029	613	6,642
At 31 December 2009	6,132	660	6,792

Depreciation is included within administrative expenses in the Income Statement

# Financial Statements

## Notes to the Accounts continued

### 13 Intangible assets

	IT Software £'000
<b>Group and Company</b>	
<b>Cost</b>	
1 January 2010	1,209
Additions	116
1 January 2011	1,325
Additions	33
<b>31 December 2011</b>	<b>1,358</b>
<b>Accumulated amortisation</b>	
1 January 2010	1,029
Charge for the year	94
1 January 2011	1,123
Charge for the year	118
<b>31 December 2011</b>	<b>1,241</b>
<b>Net book amount</b>	
<b>At 31 December 2011</b>	<b>117</b>
At 31 December 2010	202
At 31 December 2009	180

Amortisation is included within administrative expenses in the Income Statement

### 14 Investment in Subsidiary

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

### 15. Deferred tax

The deferred tax balances in these accounts are attributable to the following

	2011 £'000	2010 £'000
<b>Group and Company</b>		
Pension liability	2,272	1,798
Short-term timing differences	(726)	(724)
Rolled over capital gain	(241)	(250)
	<b>1,305</b>	<b>824</b>

Deferred tax 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 and there is an intention to settle the balance net.

## 15. Deferred tax (continued)

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

Group and Company	Pension liability £'000	Short-term timing differences £'000	Rolled over capital gain £'000	Total £'000
1 January 2010	1,795	(674)	(260)	861
(Charged)/credited to income statement	(39)	(50)	10	(79)
Credited to equity	42	-	-	42
1 January 2011	1,798	(724)	(250)	824
(Charged)/credited to income statement	(29)	(2)	9	(22)
Credited to equity	503	-	-	503
<b>31 December 2011</b>	<b>2,272</b>	<b>(726)</b>	<b>(241)</b>	<b>1,305</b>

## 16. Inventories

Group and Company	2011 £'000	2010 £'000
Raw materials and work in progress	191	188
Finished goods and goods for resale	2,081	1,597
	<b>2,272</b>	<b>1,785</b>

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 £15,000 (2010: £12,000). The cost of inventories recognised as an expense and included in the group's cost of sales was £8,276,000 (2010: £9,126,000) and £7,860,000 (2010: £8,347,000) for the company.

The value of inventory carried at net realised value is £359,000 (2010: £380,000).

## 17. Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade receivables	2,201	2,460	2,126	2,393
Receivables from subsidiary	-	-	45	44
Prepayments	352	773	348	764
	<b>2,553</b>	<b>3,233</b>	<b>2,519</b>	<b>3,201</b>

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

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

# Financial Statements

## Notes to the Accounts continued

### 17 Trade and other receivables (continued)

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

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 January	11	21	11	21
Provision made for impaired receivables	37	43	37	38
Unused provision reversed	(26)	(31)	(26)	(26)
Receivables written off during the year as uncollectable	(19)	(22)	(19)	(22)
<b>At 31 December</b>	<b>3</b>	<b>11</b>	<b>3</b>	<b>11</b>

Receivables due from subsidiary were not impaired at 31 December 2011 and 31 December 2010. Other receivable balances do not contain impaired assets.

At 31 December 2011 group trade receivables of £3,000 (2010 £11,000) and company trade receivables of £3,000 (2010 £11,000) were impaired. The amount of provision is the full gross amount due. The receivables are considered to be impaired as they have either been disputed by the respective customers or the customers are in financial difficulty. The ageing of these receivables is as follows:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Up to three months over terms	1	2	1	2
Over three months over terms	2	9	2	9
	<b>3</b>	<b>11</b>	<b>3</b>	<b>11</b>

At 31 December 2011 group trade receivables of £1,052,000 (2010 £1,162,000) and company trade receivables of £1,027,000 (2010 £1,154,000) were past due but not impaired. Overdue receivables against which no provision has been made relate to customers for whom there is no recent history of default or any other indication that settlement will not be forthcoming. The ageing of these receivables is as follows:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Up to three months over terms	994	1,103	970	1,095
Over three months over terms	58	59	57	59
	<b>1,052</b>	<b>1,162</b>	<b>1,027</b>	<b>1,154</b>

Receivables that are neither past due or impaired are within credit limits for the respective customer and the directors are not aware of any reasons that indicate the amounts due are disputed or not collectable. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable shown above. The group does not hold any collateral as security.

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

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Pounds sterling	2,478	3,166	2,519	3,201
Euro	75	67	-	-
	<b>2,553</b>	<b>3,233</b>	<b>2,519</b>	<b>3,201</b>

## 18. Trade and other payables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade payables	1,249	1,864	1,245	1,850
Other taxation and social security payable	408	350	395	336
Other payables	14	18	14	18
Accruals	324	728	310	717
	<u>1,995</u>	<u>2,960</u>	<u>1,964</u>	<u>2,921</u>

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

## 19. Other Financial Assets and Liabilities

	Assets		Liabilities	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Forward foreign currency contracts and options	-	-	-	8

Gains and losses on the carrying value of forward foreign currency contract assets and liabilities are recognised in the income statement.

There is no difference between the carrying amount and fair value of the group's financial assets and liabilities.

## 20. Financial risk management

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

### Foreign exchange risk

The group enters into forward foreign currency contracts to eliminate certain currency exposures that arise on purchase contracts denominated in foreign currencies.

### Interest rate risk

The group's exposure to interest rate risk arises on cash and short-term deposits and is managed through the appropriate mix of fixed and floating rate interest rates. Cash deposits are placed for varying terms depending upon interest rates and yields based principally on LIBOR rates. Cash at bank yields interest based principally on LIBOR rates.

### Liquidity risk

In the normal course of business the group 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 the use of an appropriate mix of short, medium and long-term deposits and investments.

### Credit risk

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

### Sensitivity Analysis

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

# Financial Statements

## Notes to the Accounts continued

### 21. Capital Risk Management

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 capital. In order to maintain the capital structure the group may adjust the amount of dividends paid to shareholders.

### 22. Pension Commitments

#### Defined benefits scheme

The company operates a funded defined benefit scheme in the UK. The assets of the scheme are held in separate trustee administered funds. The defined benefit scheme was closed to new entrants in 2006 and to future accrual in 2009.

#### Year ended 31 December 2011

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 2011 and updated to 31 December 2011 by a qualified independent actuary.

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

	2011 £'000	2010 £'000
Present value of defined benefit obligation at beginning of year	17,998	16,696
Interest cost	956	939
Actuarial losses on scheme liabilities	1,448	852
Benefits paid	(590)	(489)
Present value of defined benefit obligation at end of year	<u>19,812</u>	<u>17,998</u>

#### Reconciliation of fair value of scheme assets

	2011 £'000	2010 £'000
Fair value of scheme assets at start of year	11,337	10,284
Expected return on scheme assets	707	724
Actuarial (loss)/gain on scheme assets	(740)	458
Contributions by the company	360	360
Benefits paid	(590)	(489)
Fair value of scheme assets at end of year	<u>11,074</u>	<u>11,337</u>

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

	2011 £'000	2010 £'000
Present value of funded obligation	19,812	17,998
Fair value of scheme assets	<u>(11,074)</u>	<u>(11,337)</u>
Net liability in balance sheet	<u>8,738</u>	<u>6,661</u>

## 22. Pension Commitments (continued)

### Amounts to be recognised in the income statement

	2011 £'000	2010 £'000
Interest on obligation	956	939
Expected return on scheme assets	(707)	(724)
Total expense	<u>249</u>	<u>215</u>

### Total amount recognised in the statement of consolidated income (SOCl)

	2011 £'000	2010 £'000
Actuarial loss	2,188	394
Actuarial loss recognised in SOCl	<u>2,188</u>	<u>394</u>

### Cumulative amount of actuarial gains and losses recognised in SOCl

	2011 £'000	2010 £'000
Cumulative loss recognised in SOCl	<u>6,492</u>	<u>4,304</u>

	2011 £'000	2010 £'000
<b>Pension cost</b>		
Defined benefit scheme	269	234
Defined contribution scheme	230	225
	<u>499</u>	<u>459</u>

### Scheme assets

	2011 %	2011 £'000	2010 %	2010 £'000
Equities	61	6,788	68	7,646
Gilts and bonds	35	3,887	30	3,429
Other	4	399	2	262
Total scheme assets	<u>100</u>	<u>11,074</u>	<u>100</u>	<u>11,337</u>
Expected rate of return on scheme assets		5.58%		6.93%

At 31 December 2011 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The fair value of the scheme as a percentage of total scheme assets and target allocations are set out above.

### Amount of company related investments included in fair value of assets

	2011 £'000	2010 £'000
Company's own financial instruments	<u>202</u>	<u>209</u>

# Financial Statements

## Notes to the Accounts continued

### 22. Pension Commitments (continued)

#### Expected Return on Assets

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class

	<b>2011</b>	2010
	<b>£'000</b>	£'000
<b>Actual return on scheme assets</b>	<b>(33)</b>	1,182

#### Principal actuarial assumptions at the balance sheet date

	<b>2011</b>	2010
Discount rate	<b>4.70%</b>	5.40%
Expected return on scheme assets at the end of the year	<b>5.58%</b>	6.93%
Price inflation (RPI)	<b>3.20%</b>	3.60%
Pension increases		
– Non-executive pension accrued before 1 January 1992	<b>0.00%</b>	0.00%
– Non-executive pension accrued after 1 January 1992	<b>3.60%</b>	3.60%

#### Mortality Assumption Base mortality table

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

A scaling factor of 105% has been applied to the notes under the standard tables. An allowance for future improvements has been made in line with the CMI 2009 Core Regulations assuming a long-term annual rate of improvement in mortality rates of 1% for men and women.

	<b>2011</b>	2010
Retiring today		
Males	<b>86.5</b>	86.1
Females	<b>88.7</b>	88.9
Retiring in 20 years		
Males	<b>87.9</b>	87.2
Females	<b>90.2</b>	89.9

#### Sensitivity analysis of the principal assumptions used to measure scheme liabilities

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

The table below provides illustrations of the sensitivities of the liabilities to the assumed changes in the discount rate, inflation assumption and mortality assumption.

<b>Change</b>	Impact on liabilities
Discount rate reduced by 0.25%	6.1%
Inflation increased by 0.25%	3.1%
Life expectancy increased by 1 year	1.5%

## 22. Pension Commitments (continued)

### History of assets, liabilities and actuarial gains and losses

	2011 £'000	2010 £'000
Present value of defined benefit obligation	(19,812)	(17,998)
Fair value of assets	11,074	11,337
Deficit	<u>(8,738)</u>	<u>(6,661)</u>
Experience gain on scheme liabilities		
Amount (£'000)	1,448	852
Percentage of the present value of the scheme liabilities	7%	5%
Difference between the expected and actual return on scheme assets		
Amount (£'000)	(740)	458
Percentage of the present value of the scheme assets	(7%)	4%

### History of the scheme's deficits and experience gains and (losses):

Group and Company	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of obligations	(19,812)	(17,998)	(16,696)	(15,167)	(14,329)
Fair value of scheme assets	11,074	11,337	10,284	9,480	11,461
Deficit	<u>(8,738)</u>	<u>(6,661)</u>	<u>(6,412)</u>	<u>(5,687)</u>	<u>(2,868)</u>
Experience (losses) and gains on scheme liabilities	(1)	65	(257)	251	336
Experience (losses) and gains on scheme assets	<u>(740)</u>	458	857	(2,366)	85

The group expects to contribute approximately £540,000 to its defined benefit scheme in the year ending 31 December 2012

### 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 £230,000 (2010: £225,000) have been charged to operating profit.

## 23. Share capital

Ordinary shares of 25p	2011 Number	2011 £'000	2010 Number	2010 £'000
<b>Authorised</b>				
At 1 January and 31 December	<u>1,200,000</u>	<u>300</u>	1,200,000	300
<b>Allotted, called up and fully paid</b>				
At 1 January and 31 December	<u>1,000,000</u>	<u>250</u>	1,000,000	250

## 24. Operating lease commitments

At 31 December 2011, the group had the following outstanding future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	2011 £'000	2010 £'000
Operating leases commitments		
— within 1 year	11	2
— in more than 1 year but less than 5 years	<u>13</u>	<u>21</u>

Operating lease charges recognised in the income statement as shown in note 5

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# Financial Statements

## Notes to the Accounts continued

### 25 Related Party Transactions

#### Key management

Key management personnel comprise the group's executive and non-executive directors. Their remuneration is set out in note 4.

There were no other transactions with key management.

#### Company – transactions with subsidiary

Sales amounting to £418,000 (2010: £424,000) were made by H C Slingsby plc to Slingsby Mail Order Limited.

Amounts due from Slingsby Mail Order Limited at 31 December 2011 were £45,000 (2010: £44,000).

## Five Year Summary

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
<b>Income Statement</b>					
Turnover	15,221	16,652	15,833	19,640	19,562
Gross profit	6,779	7,380	6,689	8,501	8,230
Operating profit before exceptional items	633	1,259	707	1,580	1,571
Exceptional items	-	-	592	-	-
Profit before tax	422	1,082	1,007	1,606	1,548
Profit for the financial year	320	717	815	830	1,014
Earnings per share — basic and diluted	32.0p	71.7p	81.5p	83.0p	101.4p
<b>Dividend Per Ordinary Share*</b>					
— Interim	4.0p	5.0p	4.0p	8.0p	7.0p
— Final	28.0p	35.0p	30.0p	42.0p	40.0p
<b>Cash Flow Statement</b>					
Cash generated by operating activities	(81)	1,344	793	1,646	2,466
<b>Balance Sheet</b>					
Net current assets	5,147	5,162	4,732	4,762	3,873
Net assets	4,397	6,169	6,153	6,834	8,525
Cash and cash equivalents	2,439	3,420	2,778	3,029	2,652

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

# Financial Statements

## Notice of Annual General Meeting

**Notice is hereby given** that the sixty-fourth Annual General Meeting of H C Slingsby plc will be held at the Marnot Hollins Hall Hotel and Country Club, Hollins Hill, Baildon, Shipley, West Yorkshire, BD17 7QW on Friday 22 June 2012 at 10 00 am

You will be asked to consider and vote on the resolutions below, of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution

### Ordinary Resolutions

- 1 To receive the report and financial statements of the company for the year ended 31 December 2011
- 2 To approve payment of a final dividend in the sum of 28 0p per ordinary share
- 3 To reappoint PricewaterhouseCoopers LLP as auditors to the group and authorise the directors to fix their remuneration
- 4 To reappoint as a director Mr D S Slingsby who will be retiring under the company's articles of association at the meeting
- 5 To reappoint as a director Mr R G Hudson who will be retiring under the company's articles of association at the meeting

### Special Resolution

- 6 To authorise the company generally and unconditionally to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 25p each provided that
  - (a) the maximum aggregate number of ordinary shares that may be purchased is 100,000,
  - (b) the minimum price (excluding expenses) which may be paid for each ordinary share is 25p,
  - (c) The maximum price (excluding expenses) which may be paid for each ordinary share is the higher of
    - (i) 105 per cent of the average market value of an ordinary share in the company for the five business days prior to the day the purchase is made and
    - (ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for
      - A the last independent trade of, and
      - B the highest current independent bid for
  - (d) the authority conferred by this resolution shall expire on 21 December 2013 or, if earlier, at the conclusion of the company's next Annual General Meeting save that the company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority

By Order of the Board

### R. G. Hudson

Company Secretary  
H C Slingsby plc  
Registered Office Otley Road, Baildon, Shipley, BD17 7LW  
23 May 2012

### **Special Resolution**

Resolution 6 in the Notice of the Meeting seeks authority for the company to make market purchases of its own ordinary shares and is proposed as a special resolution. If passed, the resolution gives authority for the company to purchase up to 100,000 of its ordinary shares, representing 10% of the company's issued ordinary share capital as at the date of the Notice.

The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on 18 December 2013 or, if earlier, at the conclusion of the company's 2013 Annual General Meeting.

The directors do not currently have any intention of exercising the authority granted by this resolution. The directors will only exercise the authority to purchase ordinary shares where they consider that such purchases will be in the best interests of shareholders generally and likely to result in an increase in earnings per ordinary share.

The company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them).

### **Appointment of Proxies**

- 1 As a member of the company, you are entitled to appoint a proxy or proxies (see note 3 below) to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 2 A proxy does not need to be a member of the company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares within your overall shareholding. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, each different proxy appointment form must be received by Capita Registrars no later than 48 hours before the time appointed for the meeting.
- 4 If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. A vote withheld is also effectively an abstention, the vote will not be counted in the calculation of votes for or against the resolution. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- 5 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be
  - completed and signed,
  - sent or delivered to Capita Registrars at Proxy Department, Beckenham, Kent, BR3 4BR, and
  - received by the Registrars no later than 48 hours before the time appointed for the meeting.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### **Appointment of Proxy by joint members**

- 6 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the company's register of members in respect of the joint holding (the first-named being the most senior).

# Financial Statements

## Notice of Annual General Meeting

### Changing Proxy Instructions

- 7 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy or proxies and would like to change the instructions, please contact Capita Registrars at 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.

### Termination of Proxy Appointments

- 8 In order to revoke a proxy instruction you will need to inform the company by sending a signed notice clearly stating your intention to revoke a proxy appointment to the Registrars at Capita Registrars, Proxy Department, Beckenham Road, Beckenham, Kent, BR3 4BR. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Registrars no later than 48 hours before the time appointed for the meeting.

If you attempt to revoke appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy or proxies and attend the meeting in person, your proxy appointment(s) will automatically be terminated.

### Communication

- 9 Except as provided above, members who wish to communicate with the company in relation to the meeting should contact Mr R. G. Hudson by e-mail at [ray.hudson@slingsby.com](mailto:ray.hudson@slingsby.com) or by telephone on (01274) 535030.

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We are continuing to invest in information technology, establishing links with suppliers and customers.

The replacement enterprise system we are planning to implement will, for the first time, allow complete and seamless integration between a new website and backend system.

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**H C Slingsby plc**

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