Registered No: 01975376

Swallowfield plc

Report and Accounts 2011

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swallowfield is a market leader in the development, formulation, and supply of cosmetics, toiletries and related household goods to the own label and branded sectors

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we are leaders
and experts
in design,
development,
testing and
compliance to
deliver product
innovations for
our customers

CHAIRMAN'S FOREWORD

OVERVIEW

- Total revenue increased by 9.5% to £57.5m (2010: £52.4m)
- Overseas revenue increased by 14.5% (2010: 1.4%)
- Profit before taxation increased by 12.6% to £1.33m (2010: £1.18m)
- Earnings per share increased by 17% to 9.6p (2010: 8.2p)
- Final dividend proposed 4.1p (2010: 4.1p) per share making a total for the year of 6.3p (2010: 6.3p)
- The Company has attracted high quality individuals to the Board
- Positive expectations for the coming year

During the year the Group performed robustly against the continuing difficult and uncertain economic environment. Revenue increased by 9.5% and this together with strong overhead cost control more than offset the rapid increases in raw material costs that we described in our last update. Earnings per share increased by 17% to 9.6p compared with 8.2p last year.

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BOARD CHANGES

At the General Meeting held on 11 April 2011 your previous chairman Shena Winning was removed from office The Board would like to thank Shena for her strong leadership over the last several years and for her support and enthusiasm for the Company

Subsequent to the General Meeting a process was undertaken to reconstitute and strengthen the Board As part of this process an understanding was reached with the largest shareholder Mr Peter Gyllenhammar under which he agreed to support the Board which would then be given time to work constructively on moving the business forward This agreement would allow the management to concentrate on guiding the Company through the current difficult market conditions

Stephen Boyd was appointed to the Board as a non-executive Director on 8 July 2011 following a request from Mr Gyllenhammar and Western Selection plc Stephen sits on a number of boards of both public and private

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companies and is currently Chairman of Pittards plc and Pure Wafer plc and is the Senior Independent Director of The Mission Marketing Group plc

Following a rigorous selection process the Board appointed Roger McDowell as a non-executive Director Roger is an experienced Director of over 30 years standing Having developed the Oliver Ashworth Group through dramatic growth main market listing and sale to Saint Gobain He then took a number of non-executive roles including chairmanships in both public and private equity-backed businesses Roger is currently Chairman of Augean plc Avingtrans plc and One Advice plc a non-executive Director of I S Solutions plc and a Director of several private companies

Richard Organ stepped down from the Board on 31 July 2011 as part of the process of reconstituting the Board The Board would like to take the opportunity to thank Richard for his support since he rejoined the Board and wishes him well for the future

MANAGEMENT INCENTIVES

Further awards under the Long-term Incentive Plan were made on 8 December 2010 The vesting of the awards will be subject to the achievement of exacting performance targets to be determined by the Remuneration Committee in respect of each plan cycle which will comprise not less than three consecutive financial years

DIVIDENDS

The policy used to recommend the final dividend remains the same as discussed last year namely that we will retain a dividend cover of 1 5 times post-tax earnings The Board has determined that this cover could be strengthened in future years in order to allow for a greater level of investment and reductions in net debt

The Board is recommending a final dividend of 4 1p (2010 4 1p) per share which taken together with the interim dividend of 2 2p (2010 2 2p) per share makes an annual dividend of 6 3p (2010 6 3p) per share If approved at the Annual General meeting the final dividend will be paid on 25 November 2011 to shareholders on the register on 11 November 2011 The Shares will go ex-dividend on 9 November 2011

MARTIN HAGEN
CHAIRMAN
6 September 2011

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earnings per share increased by 17% despite the strong economic headwinds

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BUSINESS REVIEW

MARKET AND ECONOMIC BACKGROUND

Trading conditions in the Groups primary markets of cosmetics toiletries and light household products continues to be tough in Western Europe North America and Japan The picture in developing markets such as Eastern Europe China South East Asia and South America has been far more robust with many of the large global brands we supply reporting improved revenues in those markets Branded products have continued to be discounted and promoted strongly thus limiting the penetration of own-label products and justifying our strategy to work with both brands and retailers

The overall economic situation remains very fragile and although the UK the US and the Eurozone have thus far avoided double dip recessions we still believe that these economies will not improve substantially for some time The need to repair fiscal deficits in the UK and US in particular the squeeze on household incomes and the pressure to increase savings rates will continue to limit consumer expenditure for some time The majority of our product portfolio however is made up of either relatively inexpensive luxury items or everyday consumer products and we do not expect sales of these to be adversely affected in a significant way The bigger short term risks for us would be further tightening of credit conditions leading to another round of customer destocking and a further consolidation of our customer base

The competitive nature of the market is encouraging brands and retailers to look for innovation to drive sales growth in higher value categories such as skincare sun care and colour cosmetics Enquiry levels are high and we are currently working on a number of new product launches for later in the current financial year

BUSINESS REVIEW

Revenue increased by 9 5% during the year bringing growth over the 3 years since 2008 to 28 2% Our efforts to increase direct exports at a faster rate than UK based revenue have begun to bear fruit as direct exports grew by 14 5% in the year We believe that indirect exports - that is sales to UK based customers who sell products outside of the UK - have also continued to increase mirroring global growth patterns

Raw material component and other direct input costs have continued to increase at a fast rate resulting from increases in commodity prices such as oil and aluminium and a continued impact from the reduction in the value of Sterling over the last 3 years The competitive nature of the current market place has made it extremely difficult to pass on these cost increases in a timely manner The impact of this has been a reduction in direct contribution (Net sales less materials direct labour and other direct costs) from 28 2% to 26 3% over the period

We have limited the impact of these inflationary cost increases by driving revenue growth and by maintaining a tight grip on overhead expenditure Total overhead costs (all costs excluding material costs, direct labour costs and other direct costs) have decreased from 26 9% to 23 8% of revenue over the past 3 years

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At Wellington the new manufacturing room was commissioned during the year and is now delivering the improved formulations reduced wastage and improved productivity that we had expected We are currently undergoing a programme to upgrade our other manufacturing rooms primarily to improve good manufacturing practice (GMP) and room layouts Production efficiencies have again increased as a result of the investments made over the last few years and our lean and continuous improvement activities

At Bideford our long-term efforts to strengthen the operation are continuing and are showing early signs of success The new creams and lotions manufacturing room is now in place significantly strengthening our product capabilities and two major new product launches are planned for later this year in new product formats The plan we enacted to run the operation as a pure production and development site has provided greater focus leading to improved utilisation levels good cost control and an increase in enquiries

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During the year we increased our shareholding in our Chinese strategic investment by 9% to 19% at a cost of £0 1m The costs of manufacturing and shipping from China are increasing rapidly and we expect that the relative advantage over European production will reduce over the next three years In anticipation of this we plan to work with our partners to significantly increase the domestic business currently representing less than 5% of revenue by investing in a small Swallowfield sales team in China during the coming year

Our Czech factory has had another positive year and efforts to widen the customer base and reduce production volatility have met with some success Operating efficiencies have increased and even though costs are lower than the equivalent UK costs we have begun to automate several of the production processes The operation now undertakes liquid filling fragrance filling and tube filling as well as the originally planned manufacture of colour cosmetic products

Although the overall cost of providing defined benefit pensions to eligible members has remained broadly the same as the previous year the split of this cost between interest and operating profit has changed significantly with an increased interest credit of £0 09m being effectively offset by an equivalent higher charge to operating profit During the year the Company incurred one-off costs of approximately £0 1m relating to the general meeting held in April this year If these situations had not occurred operating profit would have increased by around 19% compared with the previous year

The Group pays tax primarily in the UK and the Czech Republic The overall tax charge is lower than the standard UK rate of 27 5% as a consequence of adjustments in respect of prior years research and development tax claims and profits chargeable to tax in the Czech Republic at 21% In future years the Group will benefit from the continued reduction in UK Corporation Tax rate further research and development claims and profits chargeable to tax in the Czech Republic at 21%

Overall, earnings per share increased by 17% from 8 2p last year to 9 6p for the year under review

NET DEBT AND CASH FLOW

During the year net debt increased from £4 3m to £4 7m due to an increased level of capital investment primarily in the new manufacturing rooms and higher working capital to support increased business volumes Year-end inventory levels although lower than the prior year, were high as we built inventory in advance of new product launches due in the first half of the new financial year As discussed last year we have experienced some limited extension to customer payment terms

During the year the Group increased the headroom on its borrowing facilities by £1 5m through the arrangement of a new £6 5m debt financing facility replacing the previous overdraft and short term loan arrangements

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Good control over cash management remains a core Group policy to ensure that borrowing facilities are sufficient to meet operating and investment requirements and to take into account the nature and timing of cash-flows Regular dialogue is maintained with our bankers and cash flow forecasts are closely monitored

The defined benefit pension scheme is currently undergoing its latest triennial valuation as of 5 April 2011 the results of which should be finalised by the end of the current year At the year-end the pension deficit was £2 4m a slight improvement on the previous year

Net financing costs of £0 14m (2010 £0 19m) comprised interest expense of £0 14m (2010 £0 10m) and pension scheme finance charges of £Nil (2010 £0 09m)

Capital expenditure was £1 6m (2010 £1 0m) which was £0 4m above depreciation (2010 £0 2m below) due to the carryover of items deferred from 2010 such as the new manufacturing rooms referred to previously

The property for sale at Bideford remains unsold with a limited level of interest shown in the period but it remains our intention to sell it when market conditions allow

SUPPLIER PAYMENT POLICY

The Group endeavours to ensure that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers provided that the supplier has complied with all the relevant terms and conditions The Group does not follow any specific code or standard At 30 June 2011 the Company had an average of 77 days (2010 73 days) purchases outstanding with suppliers

TRADE RECEIVABLES

The trade receivable days at the year-end were 59 days (2010 56 days)

PROGRESS AGAINST STRATEGY

The Board has recently reviewed the Group s strategic plan and during the year the following progress was made against our strategic goals

WIDENING OUR GEOGRAPHIC FOOTPRINT

The New York sales support office won its first new piece of business which whilst small is encouraging and it is working on a number of other opportunities We have made our first shipment of product to South Africa and are evaluating two other customer opportunities in that country During the last year we have been developing business opportunities in Colombia as a route into the South American market and hope to conclude this during the current year Over the next year we intend to create a small sales presence in China to begin to build domestic sales for our strategic investment and our European factories

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BROADENING OUR PRODUCT TECHNOLOGIES

The new lotion manufacturing room at Wellington is installed trials are complete and it is now in production and achieving good results The skincare manufacturing room at Bideford is also now complete We have begun work to increase our range of formulations for skincare related products

During the year we launched an innovative product for a major food producer and produced two new sun care aerosol products and have others planned for launch during the current financial year

Our processes for generating innovation ideas are becoming more fully embedded and are now complemented by the idea of product champions from within our sales and marketing team This should enable us to drive greater sales opportunities from each of our major product innovations

DRIVING COMPETITIVE IMPROVEMENTS IN OUR COST STRUCTURE

During the year we continued to make progress on creation of a single customer facing organisation by integrating the various supply chain functions of the Group into a single organisation structure This structure will both improve customer service and reduce costs

Total overhead costs including those employed in manufacturing and supply chain activities increased by only £0 2m or 1 5% against a revenue increase of 9 5% Total overheads now represent 23 8% of revenue compared with 25 6% during the previous year and 26 9% in the financial year ended 30 June 2008

DRIVING GROWTH

As described above revenue increased by 9 5% to £57 5m

Sales in the first 10 weeks are in line with expectations and we have a number of new and substantial product launches happening during the current financial year

Our efforts to improve the marketing of the Group continue with particular focus during the year being given to how we present ourselves to customers and prospective customers

OUTLOOK

We remain cautious about growth prospects for the UK economy and still expect further negative consumer sentiment to limit any recovery in the market Recent economic data is also looking less positive for the US Western Europe and developing economies such as China However our central assumption remains a tough UK market and a more positive global environment

It is the Group s ability to research develop and produce complex products for some of the world s leading companies that has created Swallowfield s success This year we have a number of new product developments which we expect to launch towards the latter part of the current financial year

We will continue to maintain tight control over overheads

The continued high level of capital expenditure and working capital to support new product launches in the second half are expected to impact the level of net debt at the half year

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There is a possibility that the Global economy could enter another negative phase but assuming the impact is not too severe overall we remain positive about the Group s prospects for the future

ACCOUNTING STANDARDS

There have been no new accounting standards applied in the preparation of these financial statements nor interpretations adopted that have any significant impact on the financial statements

GOING CONCERN

The Directors need to be satisfied that it is appropriate to adopt the going concern basis in the preparation of the Company and Group financial statements

As part of its normal business practice the Group prepares annual and longer term plans and in reviewing this information and in particular the three year plan and the FY2012 budget the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future Accordingly we continue to adopt the going concern basis in preparing the annual report and accounts

IAN MACKINNON
CHIEF EXECUTIVE OFFICER

MARK WARREN
GROUP FINANCE DIRECTOR

6 September 2011
Company Number 01975376

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tight control of overheads has helped offset significant increases in raw materials and components

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RISKS AND UNCERTAINTIES

The Group is subject to a variety of risks whilst undertaking its business This section describes the principal risks and uncertainties which may affect the Group s business financial results and prospects

RISK DESCRIPTION	POTENTIAL IMPACT	MITIGATION
Global reduction in customer demand	In general forecasts provide limited long-term visibility Volumes depend on levels of consumption several stages removed from the Group s point of sale and the combined effects of confidence and decision making by multiple parties within the supply chain which are difficult to predict	While the Group constantly seeks to adapt its operations to match demand the manufacturing cost base is inevitably somewhat inelastic and financial results would therefore be difficult to insulate from any sharp or prolonged downturn in market activity However the personal care sector has shown itself to be resilient in the economic downturn to date
The Group relies for a proportion of its turnover on a small number of key customers	Any downturn in the fortunes of major customers or lack of success in maintaining or replacing existing business could have a material adverse effect upon the Group s operating results	The Group tracks business development by customer and maintains a regular dialogue with all customers It is anticipated that any such loss would most likely have several months forward visibility
Customer Credit risk	Potential bad debt or short/medium term delay in receivables	Robust credit checking procedures and customer selection when taking on new business coupled with ongoing credit control activities to minimise risk
A significant proportion of the Group s raw material costs are affected by the prices of commodities such as oil gas steel and aluminium	An increase or volatility in the prices of these commodities could adversely affect the Group s results as input cost increases could be difficult to prevent as well as difficult to pass through in selling prices due to competitive pressures in most end markets	Purchasing policies seek to reduce exposure to commodity prices and a number of customer relationships allow the pass through of cost changes
The Group is exposed to the failure or non-performance of suppliers	Adversely impact on Group s reputation financial results or operational performance	We continue to work to improve our visibility of potential supply issues through weekly New Product Introduction reviews and ongoing monitoring of supplier performance

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RISK DESCRIPTION	POTENTIAL IMPACT	MITIGATION
Short term liquidity risk	That a combination of supplier issues or delayed customer receipts result in inadequate cash facilities to meet the Group s commitments when they fall due	We continue to ensure that the facilities in place are adequate for the Group s requirements through cash flow monitoring and that a good relationship is maintained with our Bankers
Interest Rates	An adverse movement of 0 5% in base rate would impact £26 000 per annum on projected borrowings and vice versa	Recent Bank of England and other economic forecasters are indicating this remains highly unlikely in the short term No interest rate hedging is currently utilised
The Group is exposed to transactional foreign exchange risk	Approximately 14% of the Group s sales are invoiced in Euros and 6% in US Dollars A 5% weakening of sterling would result in a £161 000 increase in reported profits and equity while a 5% strengthening of sterling would result in a £146 000 decrease in profits and equity	The Group seeks to hedge its exposures using bank facilities denominated in Euros, US Dollars Czech Koruna and Chinese Renminbi and also by buying and selling products in these currencies with the objective of minimising fluctuations in exchange rates on future transactions and cash flows
People risks related to the loss of key staff insufficient planning for management succession and the risk of industrial relations breakdown or strike	Adversely impact on Group s reputation financial results or operational performance	Well established procedures are in place covering consultation employee involvement works councils documented grievance and dispute resolution procedures and focus on engendering a culture of consultation
Environment and Health & Safety risk	Adversely impact on Group s reputation financial results or operational performance	The Group provides systems equipment training and management supervision to mitigate these risks and comply with relevant standards and regulation

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CORPORATE SOCIAL RESPONSIBILITY

The Group recognises the importance of social responsibility in its business and remains strongly committed to reducing the environmental impact of its production and design processes and advancing its systems and policies to comply with and wherever possible anticipate changing legislative customer demands

This important area is covered as part of regular team briefs to all members of staff and remains an integral part of our Continuous Improvement programme The Group uses a variety of key performance indicators as part of its regular reporting cycle An analysis of the component parts of the Group s Health Safety and Environmental report are set out below Copies of our Health and Safety Environmental and Ethical policies are available on the Swallowfield website (www swallowfield com)

HEALTH AND SAFETY

The philosophy of Continuous Improvement remains core to the Group s approach to Health and Safety Management There are regular Health and Safety reviews led by senior management involving the Health and Safety Manager and workforce representatives All areas of the business are audited twice each year to assess any Health and Safety strengths and remedy any identified weaknesses Action plans for all issues are developed and monitored by the Health and Safety Manager and local management and are reviewed by senior management Risk Assessments are prepared for all foreseen issues and are regularly reviewed Health and Safety is reviewed twice a year by Group Directors as part of the Turnbull process

All accidents are fully investigated to identify root cause and preventive actions are developed and put in place and we contingue to increase our focus on near miss reporting The Group has continued with its biannual Health and Safety awareness training sessions for all staff using a variety of different formats

These efforts have resulted in a further year-on-year reduction in total accidents and an over 80% reduction in the eight years since 2002/03 reportable accidents (those that result in more than three days' absence) are also down over the same period These continue to be mainly due to slips trips or falls or manual handling incidents There continues to be a high amount of focus and training to reduce the incidence of all accidents incidents and near-misses even further

The Group Health and Safety Manager is a member of the Institution of Occupational Safety and Health (IOSH) and attends relevant training courses A member of staff is also qualified as a Dangerous Goods Safety Advisor

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ENVIRONMENT

The Group remains strongly committed to continuously reduce the environmental impact of its operations and products

The Group s Environmental Management System was certified by BSI to ISO14001 in December 2005 Since that date all six-monthly surveillance audits have been passed with no major non-conformances No major non-conformances were reported in the last financial year

The Group has made significant steps forward in reducing its consumption of energy and its impact on the environment since 2005/06 and uses site based metrics to monitor energy consumption water usage and CO_2 emissions

The Group has registered under the CRC Energy Efficiency Scheme previously known as the Carbon Reduction Commitment (CRC) and as a result of energy saving initiatives, currently falls below the full compliance thresholds outlined under CRC

Levels of dry waste recycling or reuse aluminium metal cardboard wood paper plastic etc have again increased in the year We continue to focus on improving the percentage of waste recycled

Challenging objectives have been established for the forthcoming year with the aim of continuing to reduce the overall environmental impact of our business including that of our operations and products

In 2006 the Group was awarded the Forestry Stewardship Certification (FSC) chain of custody certification for the Incense Cedar wood sourced from sustainably managed forests and used in the manufacture of cosmetic pencils which continue to use the distinctive FSC tick-tree logo

In 2010 our Bideford and Tabor facilities were Soil Association certified for the manufacture of cosmetic products under Soil Association organic standards

In 2010 we made a commitment to the AISE charter for sustainable cleaning (www sustainable-cleaning com) for household cleaning products produced at our Wellington facility

The Group continues to seek to be environmentally responsible in all its activities and to minimise the impact of our activities on the environment

ETHICAL TRADING

Eight years ago, third party accreditation was received to show compliance with the requirements of the Ethical Trading Initiative The Group continues to be members of Sedex - the Suppliers Ethical Data Exchange - which uses the latest technology to enable companies to maintain and share data on labour practices in the supply chain

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EMPLOYEE PRACTICES

The success of our business is dependent upon the quality commitment and behaviour of our employees Therefore the Group provides clear policies and direction to our employees and strives for the highest standards of behaviour

It is also important that we continue to invest in our people and during the year a number of employees undertook a broad variety of training currently 80 employees are working towards Level 2 NVQ and 48 towards level 3 NVQ In the last four years a total of 487 employees have been trained to a minimum of level 2 NVQ

The Group also operates a Graduate Development Scheme which lasts for a period of two years The scheme is designed to help new graduates learn about every aspect of the Group and gain a broad business understanding by working in a variety of placements throughout the organisation

EMPLOYEE COMMUNICATION
The policy of informing and consulting with employees is given prominence and has continued by means of regular briefing groups and consultative committees Employees are encouraged to present their views and suggestions in respect of the Groups performance All employees are formally advised of the Groups progress at least twice a year

EQUALITY AND DIVERSITY
The Group continues to carefully consider applications for employment by an individual from any background including disabled persons If an employee becomes disabled it is standard practice to offer an alternative job in all but the most extreme circumstances and to provide retraining where necessary The Groups training, development and promotion policies aim to ensure all employment decisions are based on fairness and merit

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made charitable donations amounting to £1 517 (2010 £2,561)

No contributions were made for political purposes

IAN MACKINNON
CHIEF EXECUTIVE OFFICER

MARK WARREN
GROUP FINANCE DIRECTOR

6 September 2011
Company Number 01975376

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revenue increased by 9.5% and is now 28% higher than in 2008, the start of the financial crisis

BOARD OF DIRECTORS

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MARTIN HAGEN
FCA (aged 59)
Independent
Non-Executive Chairman

Martin joined the Company in January 2011 as an independent non-executive Director and was appointed Chairman in July 2011 He is a non-executive director of South West Water Deputy Chairman of the Financial Services Authority s Regulatory Decisions Committee and a member of the Board of Governors of the University of the West of England He is a past President of the Institute of Chartered Accountants in England and Wales and a former member of the Takeover Panel Martin chairs the Nomination Committee and is a member of the Audit Committee

IAN MACKINNON
BSc (Hons) FCA, FRSA (aged 47)
Chief Executive Officer

Appointed CEO in March 2006 Ian joined the Company as Group Finance Director in January 2000 He worked for 3 years as a Chemical Engineer before qualifying as a Chartered Accountant after which he held senior international finance roles in Raychem and Invensys Ian is vice Chairman of the British Aerosol Manufacturing Association and a member of the Cosmetics Toiletries and Perfumery Association (CTPA) executive

JANE FLETCHER
BSc (Hons) (aged 44)
Group Sales and Marketing Director

Jane joined the Company in 1996 and was promoted to the position of Group Sales and Marketing Director in October 2004 Prior to this she gained valuable experience in product buying at Marks and Spencer Jane has over 20 years experience within the industry working and developing products with both brands and retailers Jane also sits on The Prince s Trust Health & Beauty Leadership Group

MARK WARREN
BSc (Hons) FCCA (aged 49)
Group Finance Director

Mark joined the Company in January 2010 as Group Finance Director Mark has extensive financial commercial and operational management experience from across a range of customer oriented businesses operating in global markets Mark previously held senior roles in GEC plc, Whitbread plc Interbrew SA Alpharma Inc and most recently Actavis one of the world's leading generic pharmaceutical companies Mark is a member of the South West Regional Council of the CBI

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STEPHEN BOYD
(aged 61)
Senior Independent
Non-Executive Director

Stephen joined the Company in July 2011 and sits on a number of Boards of both public and private companies Stephen is currently Chairman of Pittards plc and Pure Wafer plc and Senior Independent Director of The Mission Marketing Group plc Stephen chairs the Remuneration Committee and is a member of the Audit Committee

FRANKLIN BERREBI
(aged 68)
Independent
Non-Executive Director

Franklin joined the Company in July 2010 and brings a wealth of international experience in the consumer goods market having spent 33 years with L Oreal latterly as the Managing Director of L Oreal Consumer Goods Europe Since retiring from L Oreal in 2004 Franklin has worked with AXA Private Equity and Activa Capital and sits on the Board of a number of companies Franklin is a member of the Remuneration and Nomination Committees

ROGER McDOWELL
(aged 56)
Independent
Non-Executive Director

Roger joined the Company in July 2011 and is an experienced Director of 30 years standing Having developed the Oliver Ashworth Group through dramatic growth main market listing and sale to Saint Gobain he then took a number of non-executive roles including chairmanships in both public and private equity-backed businesses Roger is currently Chairman of Augean plc Avingtrans plc and One Advice plc a non-executive Director of I S Solutions plc and a Director of several private companies Roger chairs the Audit Committee and is a member of the Nomination Committee

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CORPORATE GOVERNANCE

The Group is committed to high standards of corporate governance and the Board is accountable to the Group s shareholders for maintaining these standards This statement describes how the principles of corporate governance are applied to the Group In prior years the Group has outlined its voluntary compliance against The Combined Code on Corporate Governance For the Group's financial year ended 30 June 2011 and subsequent financial years the Directors intend to outline compliance or explain any non-compliance with the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 which are complied with voluntarily

STATEMENT ON COMPLIANCE WITH THE PROVISIONS OF THE UK CORPORATE GOVERNANCE CODE

The Group has been in compliance with the principles set out in the UK Corporate Governance Code throughout the year with the following exceptions

- The Board considers the Chairman to be an independent non-executive Director and, due to the size of the Company, the Chairman is a member of the Nomination Audit and Remuneration Committees
- Formal evaluations of the performance of the Board and the Chairman were not documented during the last 12 months but informal appraisals were undertaken and
- The non-executive Directors meet from time to time separately from the executive Directors These meetings are not formally documented

RELATIONS WITH SHAREHOLDERS

Communications with shareholders are given high priority The Chairman s F oreword and Director s Report on pages 5 to 19 include a detailed review of the business and future developments There is regular dialogue with institutional and other major shareholders including presentations after the Company s announcement of preliminary and interim results The Board also uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation All Directors will be available to answer questions at the Annual General Meeting on 3 November 2011 and the resolutions to be proposed can be found on the separate circular sent to shareholders with a copy of this Report and Accounts The Chairman and non-executive Directors meet and communicate with shareholders as requested They also use the Company s broker and informal discussions after the Annual General Meeting to maintain open routes of communication with shareholders All presentations to shareholders are shown in the investors section of the Group s website

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THE WORKINGS OF THE BOARD AND ITS COMMITTEES

THE BOARD
The Board currently comprises an independent non-executive Chairman the Chief Executive Officer two other executive Directors and three other non-executive Directors The biographies appearing on page 26 to 27 demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy performance resources and standards of conduct that are vital to the success of the Group The Board is responsible to shareholders for the proper management of the Group A statement of the Directors responsibilities in respect of the accounts is set out on page 40 and a statement of going concern on page 15

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board Each executive Director has been given responsibility for specific aspects of the Groups affairs and independent advice is available to all Directors Appropriate training is given when Directors are appointed to the Board The following represents a summary of matters reserved for decision by the Board

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- The approval of financial statements and significant accounting policies
- The approval of interim and the recommendation of final dividends,
- The appointment removal and remuneration of auditors based on recommendations from the Audit Committee
- Approval of circulars listing particulars and other Stock Exchange documentation
- Approval of the Group s strategy and annual operating budgets
- Changes relating to the Group's capital structure and financing arrangements
- Board appointments and removals including the Company Secretary
- Remuneration of Directors and other senior executives
- Terms of reference and membership of board committees
- Major investments and divestments and
- All other matters that have a material impact on the Group in accordance with the Group s approval process

The Board historically met every four weeks to review trading performance set and monitor strategy approve matters reserved for decision by the Board and to ensure that adequate funding exists During the second half of the year this frequency has been amended and now the Board will meet seven times per year over an extended duration to ensure it can adequately cover all items All Directors are supplied with information in a manner to enable the Board to discharge its duties The table below details the Director s attendance at meetings held (with the number of possible attendances shown in brackets) during the year to 30 June 2011

YEAR ENDED 30 JUNE 2011	Board Meeting	Nomination Committee	Remuneration Committee	Audit Committee
Executive Director				
I A Mackinnon	11 (11)	1# (1)	2* (2)	3* (3)
M W Warren	11 (11)	-	-	3 (3)
J M Fletcher	11 (11)	-	-	-
Non-Executive Director				
S J Winning (removed 11 April 2011)	9 (9)	2 (2)	2 (2)	2 (2)
P S Gaynor (resigned 19 January 2011)	6 (6)	1 (1)	2 (2)	1 (1)
F P Berrebi (appointed 29 July 2010)	8 (10)	1# (1)	-	3 (3)
M J Hagen (appointed 19 January 2011)	4 (4)	1# (1)	-	2 (2)
R T Organ (appointed 19 January 2011 resigned 31 July 2011)	4 (4)	-	-	1 (1)
S D Boyd (appointed 8 July 2011)	- (-)	- (-)	- (-)	- (-)
R S McDowell (appointed 8 July 2011)	- (-)	- (-)	- (-)	- (-)

* in attendance only

specially constituted nomination committee following the general meeting on 11 April 2011

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INDEMNITY INSURANCE

The Group carries liability and indemnity insurance for Directors Officers and senior managers

NOMINATION COMMITTEE

The current members of the Nomination Committee are Martin Hagen (committee Chairman) Franklin Berrebi and Roger McDowell together with the Chief Executive Officer During the year Shena Winning chaired and Patrick Gaynor served on the committee during their periods of appointment The Committee is responsible for proposing candidates for appointment to the Board having regard to the balance and structure of the Board In appropriate cases recruitment consultants are used to assist the process The terms of reference of the Nomination Committee are published on the Group s website All Directors are subject to re-election at least every three years

As outlined in the RNS of 27 April 2011 a specially constituted Nomination Committee consisting of Martin Hagen Franklin Berrebi and Ian Mackinnon undertook the responsibility for identifying and recommending two further candidates for appointment to the Board following the General Meeting on 11 April 2011 The appointment of Stephen Boyd and Roger McDowell to the Board was announced on 8 July 2011

AUDIT COMMITTEE

The current members of the Audit Committee are Roger McDowell (committee Chairman) Martin Hagen and Stephen Boyd It meets at least twice a year to review the Group's accounting policies and reporting procedures external audit reports and other relevant matters The external auditors Group Finance Director and Chief Executive Officer are also invited to attend but are not entitled to vote The terms of reference of the Audit Committee are published on the Group s website The Group receives non-audit services such as taxation and other consultancy advice from the Group s auditors The Audit Committee assesses the independence of the external auditors by means of an internal review of relationships with the auditors together with a review of an annual independence report issued by the auditors During the year the committee was chaired by Shena Winning and subsequently Martin Hagen until the appointment of Roger McDowell as committee Chairman Patrick Gaynor, Franklin Berrebi and Richard Organ all served on the committee during their periods of appointment in the year

REMUNERATION COMMITTEE

The current members of the Remuneration Committee are Stephen Boyd (committee Chairman) Franklin Berrebi and Martin Hagen The Chief Executive Officer and Group Finance Director attend the Remuneration Committee meetings by invitation but are not entitled to vote The Committee reviews the terms and conditions of service of executive Directors and ensures that salaries bonuses and share option awards satisfy any relevant performance criteria Further details of the Group s remuneration policies are given in the Directors Remuneration Report on pages 36 to 39 and the terms of reference of the Remuneration Committee are published on the Group s website During the year the committee was chaired by Patrick Gaynor and subsequently Richard Organ until the appointment of Stephen Boyd as committee Chairman Shena Winning was also a member of the committee during her period of appointment in the year

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INTERNAL CONTROL

The Board is responsible for the Group s system of internal control and for reviewing its effectiveness Such a system can only provide reasonable and not absolute assurance against material misstatement or loss The key procedures established are as follows

- Responsibility levels the ethos of the Group the delegation of authority and other control procedures together with appropriate accounting policies are communicated throughout the Group
- The Group appoints experienced and professional staff of the necessary calibre both through promotion and recruitment to fulfil their responsibilities
- The Group maintains an annual budget process The Board sets budgets once per year and monitors actual performance against those budgets at every Board meeting The Board also reviews forecasts and expectations in the light of up-to-date circumstances and takes action as appropriate
- The Audit Committee considers significant control matters Management letter points raised by the external auditors are discussed by the Audit Committee and are dealt with as appropriate
- The Group maintains an expenditure approval process that ensures that the Board approves major expenditure and investments and
- The Board undertakes a review of internal controls annually

The Group implemented the Turnbull guidance during 2000 and has continued in compliance during the year under review

The Board has procedures in place for regular risk management reviews These reviews focus on risk assessment risk management and corrective actions and are carried out by the main Board directly with senior managers who are actively encouraged to embed the process throughout their departments The reviews are conducted annually for Sales, Technical, Operations, Environmental Finance and IT matters and twice yearly for Health and Safety matters The whole process is reviewed annually together with a further summary assessment of the major risks facing the business

The Board has considered the need for an internal audit function and has concluded that because of the size of the Group it cannot be justified at present The Board intend to review this decision each year

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SHAREHOLDER INFORMATION

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and their interests in the Company s share capital are as follows

	Ordinary Shares	30 June 2011 Options to subscribe	Ordinary Shares	1 July 2010 Options to subscribe
S J Winning (removed 11 April 2011)	**55,000**	-	55 000	-
I A Mackinnon	**135,500**	-	135 500	-
J M Fletcher	**25,000**	-	25 000	-
P S Gaynor (resigned 19 January 2011)	**15,000**	-	15 000	-
R T Organ (appointed 19 January 2011 resigned 31 July 2011)	**192,700**	-	192 700	-
M W Warren	**22,100**	-	-	-
F P Berrebi (appointed 29 July 2010)	-	-	-	-
S D Boyd (appointed 8 July 2011)	-	-	-	-
R S McDowell (appointed 8 July 2011)	-	-	-	-

In accordance with the Articles of Association I A Mackinnon retires by rotation at the Annual General Meeting and being eligible offers himself for re-election In accordance with the Articles of Association M J Hagen S D Boyd and R S McDowell, whom were all appointed by the Board in the period since the last Annual General Meeting and being eligible offer themselves for re-election

Details of the Directors Service Contracts can be found on pages 37 to 38

Directors shareholdings have not changed since the year end

During the year certain Directors were granted awards under a Long-Term Incentive Plan details of which can be found on page 39

SUBSTANTIAL SHAREHOLDINGS

At the close of business on 5 September 2011 the following voting interests (other than Directors) in the ordinary share capital of the Company disclosable under the Financial Services Authority s Disclosure and Transparency Rules had been notified to the Directors

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	Number of Ordinary Shares held	% of Issued Ordinary Share Capital
Peter Gyllenhammar	3 342 500	29 6%
Western Selection	1 869 149	16 5%
R & A Persey	1 044 436	9 2%
J & L Wardell	757 511	6 7%
A P & T M Dowsett	399,096	3 5%
M A Wardell	365 724	3 2%

GENERAL MEETING

This year s Annual General Meeting will be held at the Registered Office on Thursday 3 November 2011 at 12 noon A separate circular has been sent to shareholders and includes the following

- Notice of meeting
- Form of proxy
- Details and information on the resolutions to be proposed, and Recommendations and voting intentions of the Directors

Grant Thornton UK LLP (Grant Thornton) have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be presented at the forthcoming Annual General Meeting

By Order of the Board

M W Warren

MARK WARREN
GROUP FINANCE DIRECTOR
AND COMPANY SECRETARY
6 September 2011

Company Number 01975376

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DIRECTORS' REMUNERATION REPORT

The Directors submit their remuneration report for the year ended 30 June 2011 A resolution will be put to shareholders at the Annual General Meeting on 3 November 2011 inviting them to consider and approve this report

(Information not subject to audit)

REMUNERATION COMMITTEE

The members of the Remuneration Committee are S D Boyd (Chairman) M J Hagen and F P Berrebi
The committee meets at least twice a year to evaluate and determine the overall remuneration package for the executive Directors The work of the Remuneration Committee includes a review of the remuneration levels within the market place as necessary and particular attention is given to the remuneration levels of listed companies of a similar size
The individual components of the remuneration package are discussed below

REMUNERATION POLICY

The Group s policy is to provide an overall remuneration package for executive Directors in order to attract and retain high quality executives capable of achieving the Group s objectives The package consists of basic salary benefits performance-related bonuses pensions and share options
The individual components of the remuneration package are discussed below

BASIC SALARY & BENEFITS

Salary and benefits are reviewed annually and changes in the level of basic salary are made on the basis of the Group s results and the performance of the individual Directors in carrying out their duties Executive Directors salaries were last reviewed in July 2011 Benefits principally comprise a contributory pension scheme a fully expensed car allowance and private healthcare

PERFORMANCE-RELATED BONUSES

Executive Directors participate in a performance-related bonus scheme that rewards them for the Group achieving specified financial targets in the year The fixed formulae for this bonus scheme are determined in advance of each year by the Remuneration Committee We do not anticipate these arrangements changing in future years There were no performance-related bonuses awarded to executive Directors for the year ended 30 June 2011

PENSIONS

J M Fletcher is a member of the Aerosols International Limited Pension Plan and has a normal retirement age of 60 This scheme provides for an annual pension of 1/60th of final pensionable pay for each year s service Further details of this scheme can be found in note 26 to the accounts Pensionable remuneration comprises basic salary only Contributions for I A Mackinnon and M W Warren are made to the individual Director's personal pension plans and are based on a fixed percentage of basic salary

FEES

The executive Directors of the Board determine the fees for the non-executive Directors The last review was in July 2011

SHARE OPTIONS

The Company operates both an approved and an unapproved executive share option scheme under which options based upon a percentage of the executive's salary may be granted at the market price at the date of grant No new options were granted to the executive Directors during the year under review

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LONG-TERM INCENTIVE PLAN

The Company has established a long term incentive plan the Swallowfield plc 2009 Long-Term Incentive Plan (LTIP) to incentivise its senior management team to maximise shareholder value

Participation in the LTIP will be at the discretion of the Remuneration Committee with awards being based on a percentage of the participant s base annual salary at the date the recommendation is made The vesting of the awards will be subject to the achievement of a performance target or targets to be determined by the Remuneration Committee in respect of each plan cycle which will comprise not less than three consecutive financial years No more than one award may be made to an individual participant in respect of each plan cycle which unless the Remuneration Committee determine otherwise will commence at the start of each financial year

The Remuneration Committee has determined that the vesting of awards should be linked to and be conditional upon, the compound growth in the Companys post tax earnings per share over a three year cycle measured by reference to the last full year audited results So for example the performance period for the awards granted in 2011 will be the three financial years ended 30 June 2013 based on a level of growth from the audited year end 30 June 2010 normalised post tax earnings per share

The performance conditions applying to the awards are set as follows

Adjusted eps growth over the three year plan cycle	% of award vesting
Below RPI + 15% per annum	Nil
RPI + 15% per annum	25%
RPI + 20% per annum	60%
RPI + 25% per annum	100%

With the percentage of awards vesting being pro-rated between these levels Upon vesting half of each award will be made in shares which the recipient will be required to hold for 12 months and the balance in cash

SERVICE CONTRACTS

The Companys policy is for all executive Directors to have contracts of employment with 12 month notice periods None of the non-executive Directors have service contracts but each has a letter of appointment for a 12 month fixed term The service contracts and letters of appointment include the following terms

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	Date of Appointment	Unexpired Term from 1 July 2011 Months	Notice period Months
Executive Directors			
I A Mackinnon	4 January 2000	n/a	12
J M Fletcher	14 October 2004	n/a	12
M W Warren	1 January 2010	n/a	12
Non-Executive Directors			
F P Berrebi	29 July 2010	1	-
M J Hagen	19 January 2011	6	-
S D Boyd	8 July 2011	-	-
R S McDowell	8 July 2011	-	-

DIRECTORS' REMUNERATION FOR THE YEAR TO 30 JUNE 2011

	Salary /fees £'000	Performance related pay £'000	Benefits £'000	Pension Contributions £'000	**Total 2011 £'000**	Total 2010 £'000
Executive Directors						
I A Mackinnon	151	-	19	39	**209**	210
J M Fletcher	100	-	15	12	**127**	128
M W Warren	100	-	15	26	**141**	64
P R Houston	-	-	-	-	**-**	120
Non-Executive Directors						
S J Winning (removed 11 April 2011)	35	-	-	-	**35**	41
P S Gaynor (resigned 19 January 2011)	15	-	-	-	**15**	25
R T Organ (re-appointed 19 January 2011 resigned 31 July 2011)	11	-	-	-	**11**	9
M J Hagen (appointed 19 January 2011)	11	-	-	-	**11**	-
F P Berrebi (appointed 29 July 2010)	35	-	-	-	**35**	-
S D Boyd (appointed 8 July 2011)	-	-	-	-	**-**	-
R S McDowell (appointed 8 July 2011)	-	-	-	-	**-**	-
	458	-	49	77	**584**	597

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J M Fletcher is a member of the Aerosols International Limited Pension Plan to which the Company made contributions of £8 900 during the year Her accumulated accrued benefits at 30 June 2011 were £21 000 p a (pension) and £44 000 (cash) During the year her accrued benefits increased by £2 000 p a (pension) and £4 000 (cash) and there was no change to these respective amounts after allowing for inflation The change in the transfer value, net of Directors contributions was £17 000 The transfer value of accrued benefits at the end of the financial year was £184 000 (2010 £167 000) Transfer values represent a liability of the Company not a sum paid or due to the individual

DIRECTORS' INTEREST IN LTIP AWARDS

	Number of shares at 30 6 10	Performance plan cycle	Number of shares awarded in year	Performance plan cycle	Number of shares at 30 6 11
I A Mackinnon	76 563	01 07 09 to 30 06 12	58 983	01 07 10 to 30 06 13	135 546
J M Fletcher	35 547	01 07 09 to 30 06 12	27 331	01 07 10 to 30 06 13	62 878
M W Warren	32 813	01 07 09 to 30 06 12	27 331	01 07 10 to 30 06 13	60 144
	144 923		113 645		258 568

Approved by the Board and signed on its behalf by

M W Warren

MARK WARREN
GROUP FINANCE DIRECTOR AND COMPANY SECRETARY
6 September 2011
Company Number 01975376

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 elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group 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 estimates that are reasonable and prudent
- state whether applicable IFRS s have been followed subject to any material departures disclosed and explained in the financial statements and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of 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 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 corporate and financial information on the Group s website Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of making this report each of the Company's Directors as set out on page 34 confirm the following

- so far as each Director is aware there is no relevant information needed by the Company s auditors in connection with preparing their report of which the Company s auditors are unaware and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant information needed by the Company s auditors in connection with preparing their report and to establish that the Company s auditors are aware of that information

By Order of the Board

M W Warren

MARK WARREN
GROUP FINANCE DIRECTOR
AND COMPANY SECRETARY
6 September 2011
Company Number 01975376

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWALLOWFIELD PLC

We have audited the financial statements of Swallowfield plc for the year ended 30 June 2011 which comprise the group statement of comprehensive income the group and company statements of changes in equity the group and company statements of financial position the group and company 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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors Responsibilities Statement as set out on page 40 The directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s (APB s) Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB s website at www frc org uk/apb/scope/private cfm

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 30 June 2011 and of the group s profit 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

SEPARATE OPINION IN RELATION TO IFRSs AS ISSUED BY THE IASB

As explained in Note 1 to the group financial statements the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union has also applied IFRSs as issued by the International Accounting Standards Board (IASB)

In our opinion the group financial statements comply with IFRSs as issued by the IASB

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

J Geraint Davies

J GERAINT DAVIES
SENIOR STATUTORY AUDITOR

for and on behalf of
Grant Thornton UK LLP
Statutory Auditor,
Chartered Accountants
Cardiff
6 September 2011

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

CONTINUING OPERATIONS	Notes	2011 £'000	2010 £ 000
Revenue	2	**57,452**	52 449
Cost of sales		**(50,622)**	(45 800)
Gross profit		**6,830**	6 649
Commercial and administrative costs		**(5,421)**	(5 301)
Operating profit		**1,409**	1 348
Finance income	6	**60**	18
Finance costs	7	**(140)**	(186)
Profit before taxation	3	**1,329**	1180
Taxation	8	**(247)**	(259)
Profit for the year		**1,082**	921
Other comprehensive income			
Exchange differences on translating foreign operations		**68**	(2)
Gain on available for sale financial assets		**48**	-
Other comprehensive income for the year		**116**	(2)
Total comprehensive income for the year		**1,198**	919
Profit attributable to			
Equity shareholders		**1,082**	921
Total comprehensive income attributable to			
Equity shareholders		**1,198**	919
Earnings per share			
- basic and diluted	10	**9 6p**	8 2p
Dividend			
Paid in year (£ 000)		**712**	712
Paid in year (pence per share)		**6 3**	6 3
Proposed (£ 000)		**464**	464
Proposed (pence per share)		**4 1**	4 1

The accompanying accounting policies and notes form part of the financial statements

GROUP STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2011

GROUP	Share Capital £'000	Share Premium £'000	Exchange Reserve £'000	Retained Earnings £'000	Available for Sale Financial Assets £'000	Total Equity £'000
Balance at 1 July 2010	**566**	**3,830**	**(2)**	**8,566**	**-**	**12,960**
Dividends	-	-	-	(712)	-	(712)
Transactions with owners	-	-	-	(712)	-	(712)
Profit for the year	-	-	-	1082	-	1082
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	68	-	-	68
Gain on available for sale financial assets	-	-	-	-	48	48
Total comprehensive income for the year	-	-	68	1,082	48	1,198
Balance as at 30 June 2011	**566**	**3,830**	**66**	**8,936**	**48**	**13,446**
Balance at 1 July 2009	**563**	**3,796**	**-**	**8,357**	**-**	**12,716**
Dividends	-	-	-	(712)	-	(712)
Issue of share capital	3	34	-	-	-	37
Transactions with owners	3	34	-	(712)	-	(675)
Profit for the year	-	-	-	921	-	921
Other comprehensive income						
Exchange difference on translating foreign operations	-	-	(2)	-	-	(2)
Total comprehensive income for the year	-	-	(2)	921	-	919
Balance as at 30 June 2010	**566**	**3,830**	**(2)**	**8,566**	**-**	**12,960**

The accompanying accounting policies and notes form part of the financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2011

COMPANY	Share Capital £'000	Share Premium £'000	Exchange Reserve £'000	Retained Earnings £'000	Available for Sale Financial Assets £'000	Total Equity £'000
Balance at 1 July 2010	**566**	**3,830**	**467**	**8,422**	**-**	**13,285**
Dividends	-	-	-	(712)	-	(712)
Transactions with owners	-	-	-	(712)	-	(712)
Profit for the year	-	-	-	628	-	628
Other comprehensive income						
Gain on available for sale financial assets	-	-	-	-	48	48
Total comprehensive income for the year	-	-	-	628	48	676
Balance as at 30 June 2011	**566**	**3,830**	**467**	**8,338**	**48**	**13,249**
Balance at 1 July 2009	**563**	**3,796**	**467**	**8,410**	**-**	**13,236**
Dividends	-	-	-	(712)	-	(712)
Issue of share capital	3	34	-	-	-	37
Transactions with owners	3	34	-	(712)	-	(675)
Profit for the year	-	-	-	724	-	724
Total comprehensive income for the year	-	-	-	724	-	724
Balance as at 30 June 2010	**566**	**3,830**	**467**	**8,422**	**-**	**13,285**

The accompanying accounting policies and notes form part of the financial statements

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2011

		GROUP		COMPANY	
		2011	2010	**2011**	2010
	Notes	**£'000**	£ 000	**£'000**	£ 000
ASSETS					
Non-current assets					
Property plant and equipment	11	**11,395**	11 057	**10,366**	10 067
Intangible assets	12	**131**	84	**131**	84
Deferred tax assets	22	**-**	99	**-**	-
Trade and other receivables	15	**-**	-	**435**	919
Investments	13	**192**	46	**2,849**	2 703
Total non-current assets		**11,718**	11 286	**13,781**	13 773
Current assets					
Inventories	14	**8,428**	8 538	**8,428**	8 538
Trade and other receivables	15	**13,750**	12 072	**14,050**	12 525
Cash and cash equivalents		**1,186**	532	**1,086**	515
		23,364	21 142	**23,564**	21 578
Assets held for sale	16	**167**	167	**167**	167
Total current assets		**23,531**	21 309	**23,731**	21 745
Total assets		**35,249**	32 595	**37,512**	35 518
LIABILITIES					
Current liabilities					
Trade and other payables	17	**18,358**	12 283	**20,832**	14 884
Interest-bearing loans and borrowings	18	**508**	3 856	**508**	3 856
Current tax payable		**44**	41	**16**	40
Total current liabilities		**18,910**	16 180	**21,356**	18 780
Non-current liabilities					
Interest-bearing loans and borrowings	19	**500**	1 008	**500**	1 008
Post-retirement benefit obligations	26	**2,356**	2 407	**2,356**	2 407
Deferred tax liabilities	22	**37**	40	**51**	38
Total non-current liabilities		**2,893**	3 455	**2,907**	3 453
Total liabilities		**21,803**	19 635	**24,263**	22 233
Net assets		**13,446**	12 960	**13,249**	13 285
EQUITY					
Share capital	23	**566**	566	**566**	566
Share premium		**3,830**	3 830	**3,830**	3 830
Other components of equity		**48**	-	**48**	-
Capital reserve		**-**	-	**467**	467
Exchange reserve		**66**	(2)	**-**	-
Retained earnings		**8,936**	8 566	**8,338**	8 422
Total equity		**13,446**	12 960	**13,249**	13,285

The accompanying accounting policies and notes form part of the financial statements

APPROVED BY THE BOARD ON 6 SEPTEMBER 2011

M W Warren

MARK WARREN

GROUP FINANCE DIRECTOR AND COMPANY SECRETARY

Company Number 01975376

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	GROUP		COMPANY	
	2011	2010	2011	2010
	£'000	£ 000	£'000	£ 000
Cash flow from operating activities				
Profit before taxation	**1,329**	1180	**749**	939
Depreciation	**1,172**	1202	**1,157**	1088
Amortisation	**38**	41	**38**	41
Loss on disposal of property plant and equipment	**-**	9	**-**	9
Finance income	**(60)**	(18)	**(60)**	(64)
Finance cost	**140**	186	**140**	186
Decrease/(increase) in inventories	**110**	(2 320)	**110**	(2 320)
Increase in trade and other receivables	**(1,678)**	(940)	**(1,041)**	(682)
Increase in trade and other payables	**1,373**	1,812	**1,068**	1706
Contributions to defined benefit plans	**(353)**	(357)	**(353)**	(357)
Current service cost of defined benefit plan	**311**	225	**311**	225
Cash generated from operations	**2,382**	1020	**2,119**	771
Finance expense paid	**(140)**	(97)	**(140)**	(97)
Taxation paid	**(247)**	(259)	**(121)**	(215)
Net cash flow from operating activities	**1,995**	664	**1,858**	459
Cash flow from investing activites				
Finance income received	**51**	18	**51**	64
Purchase of property plant and equipment	**(1,510)**	(960)	**(1,462)**	(886)
Purchase of intangible assets	**(85)**	(24)	**(85)**	(24)
Purchase of available for sale financial assets	**(98)**	-	**(98)**	-
Sale of property plant and equipment	**-**	-	**6**	129
Net cash flow from investing activities	**(1,642)**	(966)	**(1,588)**	(717)
Cash flow from financing activities				
Proceeds from share issue	**-**	37	**-**	37
Proceeds from new loans	**-**	1396	**-**	1396
Proceeds from new debt facility	**4,869**	-	**4,869**	-
Repayment of loans	**(1,968)**	(463)	**(1,968)**	(463)
Dividends paid	**(712)**	(712)	**(712)**	(712)
Net cash flow from financing activities	**2,189**	258	**2,189**	258
Net increase/(decrease) in cash and cash equivalents	**2,542**	(44)	**2,459**	-
Cash and cash equivalents at beginning of year	**(1,356)**	(1 312)	**(1,373)**	(1 373)
Cash and cash equivalents at end of year	**1,186**	(1 356)	**1,086**	(1 373)
Cash and cash equivalents consist of:				
Cash	**1,186**	532	**1,086**	515
Overdraft	**-**	(1 888)	**-**	(1 888)
Cash and cash equivalents at end of year	**1,186**	(1 356)	**1,086**	(1 373)

The accompanying accounting policies and notes form part of the financial statements

NOTES TO THE ACCOUNTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Swallowfield plc is a Company incorporated in the United Kingdom under the Companies Act 2006 The address of the registered office is given on page 79 The nature of the Group s operations and its principal activities are set out in Note 2 and in the Chairman s Foreword and Directors Report on pages 5 to 9 and 10 to 41

BASIS OF PREPARATION

The Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and also in accordance with IFRS issued by the International Accounting Standards Board These financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain non-current assets and financial instruments

The Directors have considered trading and cash flow forecasts prepared for the Group and based on these and the confirmed banking facilities are satisfied that the Group will continue to be able to meet its liabilities as they fall due for at least one year from the date of signing of these accounts On this basis they consider it appropriate to adopt the going concern basis in the preparation of these accounts

The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand (£ 000) except where otherwise indicated

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings and include the net assets of subsidiary undertakings The results and net assets of undertakings acquired or disposed of during a financial year are included in the Group Statement of Comprehensive Income and Group Statement of Financial Position from the effective date of acquisition or to the effective date of disposal Subsidiary undertakings have been consolidated using the purchase method of accounting In accordance with the exemptions given by section 408 of the Companies Act 2006 the Company has not presented its own Statement of Comprehensive Income The Company s profit before tax for the year to 30 June 2011 was £0 75m (2010 £0 94m)

SUBSIDIARY UNDERTAKINGS

The Group s interest in subsidiary undertakings comprises investments in undertakings where the Group holds in excess of 50 per cent of the voting rights of the undertaking and where the Group controls the strategic financial and operating policies of the undertaking or where the Board considers that the Group exercises control over the financial and operating policies of the undertaking

SEGMENTAL REPORTING

The Group considers that it only has one operating segment as all sales purchasing production and operational decisions are taken based on the overall Group operating performance The results of this segment are as reported through the Group Statement of Comprehensive Income Group Statement of Financial Position and Group Cash Flow Statements The Group has identified that its customers are the main focus for making key operating decisions

INVESTMENTS IN SUBSIDIARIES

In the Company s separate financial statements investments in subsidiaries are carried at cost less any impairment losses

NOTES TO THE ACCOUNTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS

(I) COMPUTER SOFTWARE

Computer software is stated at cost less accumulated amortisation Computer software is amortised on a straight line basis over the expected useful life of 4 years

(II) RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred Generally development costs relating to new product introductions are expensed as incurred and not capitalised for the following reasons

(a) In most cases new products have an assured life of less than one year and

(b) For new products to which (a) does not apply the assured availability of future economic benefits is evident only once the products are in the market place

PROPERTY PLANT AND EQUIPMENT

Property plant and equipment are stated at cost less accumulated depreciation Where there is evidence of impairment property plant and equipment is written down to its recoverable amount Any such write down is charged to operating profit Property plant and equipment are depreciated on a straight-line basis over their expected useful lives as follows

Freehold buildings	2% per annum
Plant and machinery	6 7% to 33% per annum
Freehold land is not depreciated	

The Group has taken advantage of the exemptions under IFRS1 First Time Adoption of International Financial Reporting Standards and as a result historical revaluations are fixed at April 2005 values

IMPAIRMENT OF ASSETS

An impairment test is performed whenever events and circumstances arising during the year under review indicate that the carrying value of an asset may exceed its recoverable amount The carrying value is compared against the expected recoverable amount of the asset generally by reference to the present value of the future net cash flows expected to be derived from that asset

INVENTORIES

Inventories are stated at the lower of cost and net realisable value Costs are those incurred in bringing each product to its present location and condition In the case of raw materials cost comprises purchase costs including transport costs calculated on a first-in first-out basis In the case of work in progress and finished goods cost comprises direct material direct labour plus attributable overheads Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal

ASSETS HELD FOR SALE

Non-current assets classified as held for sale are measured at the lower of carrying amount when classified as held for sale and fair value less costs to sell Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification

NOTES TO THE ACCOUNTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION

Current tax is the tax payable based on taxable profit for the year

Deferred income taxes are calculated using the liability method on temporary differences Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future In addition tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets

Deferred tax liabilities are provided in full with no discounting Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation provided they are enacted or substantively enacted at the Statement of Financial Position date

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Statement of Comprehensive Income except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity

FOREIGN CURRENCIES

Trading transactions denominated in foreign currencies are recorded in sterling at actual rates as at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the middle market rates ruling at the Statement of Financial Position date Exchange differences are taken to the Statement of Comprehensive Income

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the Statement of Financial Position date Income and expenses are translated at the actual rate The exchange differences arising from the retranslation of foreign operations are taken directly to the Exchange reserve in equity On disposal of a foreign operation the cumulative translation differences are transferred to the Statement of Comprehensive Income as part of the gain or loss on disposal

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business net of discounts VAT and other sales-related taxes Revenue is recognised when the Group has transferred the significant risks and rewards of ownership to the customer which is generally when the production of goods is complete the customer has accepted the products and collectability of the related receivables is reasonably assured

LEASED ASSETS

Assets financed by leasing agreements that transfer substantially all the risks and rewards of ownership of an asset to the lessee are capitalised and depreciated over their estimated useful lives The capital portion of the lease commitment is included in current or non-current liabilities as appropriate The capital element of the lease rental is deducted from the obligation to the lessor as paid The interest element of lease rentals and the depreciation of the relevant assets are charged on a straight line basis to the Statement of Comprehensive Income Operating lease rental payments are charged to the Statement of Comprehensive Income as incurred over the term of the lease

NOTES TO THE ACCOUNTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS

PENSION OBLIGATIONS
The Group operates both defined benefit and defined contribution pension schemes

i) DEFINED BENEFIT SCHEMES
Scheme assets are measured at fair values Defined benefit pension scheme liabilities are measured by an independent actuary using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability The increase in the present value of the liabilities of the Group s defined benefit pension schemes expected to arise from employee service in the year is charged to operating profit The expected return on the scheme s assets and the increase during the year in the present value of the scheme s liabilities arising from the passage of time are included in other finance income or cost

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligations are spread to income over the employees expected average remaining working lives The charging of these actuarial gains or losses commences in the reporting period following the period when the 10% level was exceeded

ii) DEFINED CONTRIBUTION SCHEMES
Costs of defined contribution pension schemes are charged to the Statement of Comprehensive Income in the year they fall due

SHARE-BASED COMPENSATION
The Group operates a share-based compensation plan which is part equity settled and part cash settled The fair value of the employee services received in exchange for the grant of the award is recognised as an expense over the vesting period The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted and is recognised in the accounts of the Group company receiving the employees services Non-market vesting conditions are included in assumptions about the number of awards that are expected to become exercisable At each Statement of Financial Position date the Group revises its estimates of the number of awards that are expected to vest and recognises the impact of the revision of original estimates if any in the Statement of Comprehensive Income with a corresponding adjustment to equity for equity settled awards and to liabilities for cash settled awards

DERIVATIVE FINANCIAL INSTRUMENTS
In the normal course of its business the Group is exposed to currency risk and interest rate risk Interest rate swaps are derivative instruments and have been used by the Group to manage its risks The use of financial derivatives is governed by the Group s policies approved by the Board There are no interest rate swaps in place as at the year ended 30 June 2011

Such derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently carried at fair value As these derivatives do not qualify for hedge accounting changes in their fair value are recognised immediately in the Statement of Comprehensive Income

NOTES TO THE ACCOUNTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS

Financial assets are divided into the following categories loans and receivables financial assets at fair value through profit or loss and available-for-sale financial assets Financial assets are assigned to the different categories by management on initial recognition depending on the purpose for which they were acquired

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market Trade and other receivables are classified as loans and receivables Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method less provision for impairment Any change in their value through impairment or reversal of impairment is recognised in the Statement of Comprehensive Income

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables The amount of the write-down is determined as the difference between the asset s carrying amount and the present value of estimated future cash flows

Available for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income Where fair value cannot be reliably estimated such assets are reviewed for impairment annually

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and on demand deposits together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value The Group considers overdrafts (repayable on demand) to be an integral part of its cash management activities and these are included in cash and cash equivalents for the purposes of the Cash Flow Statement

FINANCIAL LIABILITIES

The Group s financial liabilities consist of bank borrowings trade and other payables plus a bank overdraft in 2010

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value all transaction costs are recognised immediately in the Statement of Comprehensive Income All other financial liabilities are recorded initially at fair value net of direct issue costs

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value with changes in fair value being recognised in the Statement of Comprehensive Income All other financial liabilities are carried subsequently at amortised cost using the effective interest method with interest-related charges recognised as an expense in finance cost in the Statement of Comprehensive Income Finance charges including premiums payable on settlement or redemption and direct issue costs are charged to the Statement of Comprehensive Income on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

NOTES TO THE ACCOUNTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition A financial liability is derecognised only when the obligation is extinguished that is when the obligation is discharged or cancelled or expires

DISTRIBUTIONS TO SHAREHOLDERS

Dividends and other distributions to shareholders are reflected in financial statements when approved by shareholders in a general meeting except for interim dividends which are included in financial statements when paid by the Company Accordingly proposed dividends are not included as a liability in the financial statements

SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES

The following are significant management judgements in applying the accounting policies of the Group that have the most significant impact on the financial statements

DEFERRED TAXATION

The Group has not made full provision for deferred taxation on its land and buildings on the basis that they consider that a significant portion of their carrying value will be recovered through sale and not use

ASSET HELD FOR RESALE

The Group continues to hold a property within current assets as it is actively seeking a buyer for this property with the expectation being that it will be sold within twelve months of the Statement of Financial Position date

LONG-TERM INVESTMENT PLAN (LTIP)

The Directors have reviewed the performance criteria attached to the awards made under the LTIP and consider that it is unlikely that any awards will vest at the end of each three year plan cycle

KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the above accounting policies the Group has made appropriate estimates in a number of areas and the actual outcome may differ from those calculated The key sources of estimation uncertainty at the year end that may have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows

FORECAST AND DISCOUNT RATES

The carrying values of a number of items on the Statement of Financial Position are dependent on the estimates of future cash flows arising from the Group s trading operations The assessment of the existing value-in-use of certain land and buildings is related to the anticipated results of the trading operations carried on at those sites This involves calculating the net present value of the cash flows using an appropriate consistent rate of return set by the Directors No impairment resulted from this year s annual impairment review

POST-RETIREMENT BENEFITS

The Group s defined benefit pension scheme is assessed annually The value in these accounts which has been based on the assumptions of an independent actuary resulted in a deficit of £2 36m (2010 £2 40m) before deferred taxation The size of the deficit is sensitive to the market value of the underlying scheme investments and the actuarial assumptions which include price inflation, pension and salary increases the discount rate used in assessing the liabilities mortality rates and other demographic factors Further details are included in Note 26

NOTES TO THE ACCOUNTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROVISIONS

As described in the accounting policies above the Group assesses provisions as the Directors best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date These estimates are made taking account of information available and different possible outcomes Estimates relating to potential claims by customers and the net realisable value of finished goods and raw materials are areas where the Directors best estimates have been applied in the current financial year

DEFERRED TAX ASSETS

The realisation of the deferred tax assets shown in these accounts is dependent on the generation of sufficient future taxable profits within the Czech subsidiary The Group recognises deferred tax assets where it is more likely than not that the benefit will be realised

STANDARDS AND INTERPRETATIONS ADOPTED

There have been no new accounting standards applied in the preparation of these financial statements nor interpretations adopted that have any significant impact on the financial statements

STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The following standards are in issue but are not yet effective

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Improvements to IFRS (Issued May 2010) and
- Amendment to IAS 19 (effective from 1 Jan 2013 but not adopted by the EU yet)

The amendment to IAS 19 if adopted, will impact the Group financial statements as it will remove the ability to adopt the corridor approach in accounting for the Group s defined benefit scheme This will result in gains and losses on the pension scheme being reported through the Statement of Comprehensive Income in the year in which they arise

The Directors consider that the remainder of the above Standards will not have a significant impact on the Group The Group continues to monitor amendments to the standards made under the IASBs annual improvement project

NOTES TO THE ACCOUNTS

NOTE 2 SEGMENTAL ANALYSIS

GEOGRAPHICAL SEGMENTS

The Group operates in one reportable segment as all sales purchasing production and operational decisions are taken based on the overall Group operating performance The results of this segment are as reported through the Group Statement of Comprehensive Income Group Statement of Financial Position and Group Cash Flow Statement

The distribution of the Group s external revenue by destination is shown below

	2011 £'000	2010 £ 000
UK	**46,176**	42 603
Other European Union countries	**10,191**	8 896
Rest of the world	**1,085**	950
	57,452	52 449

In the year ended 30 June 2011 the Group had two customers that exceeded 10% of total revenues being 27% and 19% respectively In 2011 the Group had non-current assets held overseas of £1 022 000 (2010 £991 000)

NOTE 3 PROFIT BEFORE TAXATION

	2011 £'000	2010 £ 000
(a) This is stated after charging/(crediting)		
Depreciation of property plant and equipment of purchased assets	**1,172**	1 202
Amortisation of intangible assets	**38**	41
Research and development	**725**	765
Foreign exchange (gains)/losses	**(32)**	112
Operating leases		
Hire of plant and machinery	**111**	92
Rent of buildings	**512**	531
Loss on disposal of property plant and equipment	**-**	9
(b) Auditors' remuneration		
Fees payable to the company s auditors for the audit of the company financial statements	**39**	37
Fees payable to the company's auditors for other services		
Other services pursuant to legislation	**6**	6
Other services relating to taxation	**12**	17
Other services	**10**	-
(c) Earnings before interest, taxation, depreciation and amortisation ('EBITDA')		
Operating profit	**1,409**	1 348
Depreciation of property plant and equipment	**1,172**	1 202
Amortisation of intangible assets	**38**	41
Loss on disposal of property plant and equipment	**-**	9
EBITDA	**2,619**	2 600

NOTES TO THE ACCOUNTS

NOTE 4 STAFF COSTS

	2011 £'000	2010 £ 000
Wages and salaries	**10,534**	10 346
Social security costs	**1,076**	1 055
Other pension costs	**632**	618
	12,242	12 019

The average monthly number of employees including executive Directors during the year was

	Number	Number
Production	**474**	466
Distribution	**79**	74
Administration	**44**	50
	597	590

Remuneration in respect of Directors was as follows

	2011 £'000	2010 £ 000
Emoluments	**507**	508
Social security costs	**59**	52
Other pension costs	**77**	89
	643	649

For additional disclosures please refer to the Directors Remuneration Report which forms part of the financial statements

DIRECTOR S INTEREST IN LTIP AWARDS

	Number of Shares at 30 06 10	Performance Plan Cycle	Number of shares Awarded in Year	Performance Plan Cycle	Number of Shares at 30 06 11
I A Mackinnon	76 563	01 07 09 to 30 06 12	58,983	01 07 10 to 30 06 13	135,546
J M Fletcher	35 547	01 07 09 to 30 06 12	27 331	01 07 10 to 30 06 13	62 878
M W Warren	32 813	01 07 09 to 30 06 12	27 331	01 07 10 to 30 06 13	60 144
	144 923		113 645		258 568

NOTES TO THE ACCOUNTS

NOTE 5 SHARE BASED EMPLOYEE REMUNERATION

EXECUTIVE SHARE OPTION SCHEME
The Company operates both an approved and an unapproved executive share option scheme under which options based upon a percentage of the executive s salary may be granted at the market price at the date of grant No new options were granted during the year and none were outstanding at the year end

LONG-TERM INCENTIVE PLAN
The Company has established a long term incentive plan the Swallowfield plc 2009 Long-Term Incentive Plan (LTIP) to incentivise its senior management team to maximise shareholder value

Participation in the LTIP will be at the discretion of the Remuneration Committee with awards being based on a percentage of the participant s base annual salary at the date the recommendation is made The vesting of the awards will be subject to the achievement of a performance target or targets to be determined by the Remuneration Committee in respect of each plan cycle which will comprise not less than three consecutive financial years No more than one award may be made to an individual participant in respect of each plan cycle which unless the Remuneration Committee determine otherwise will commence at the start of each financial year

The Remuneration Committee has determined that the vesting of awards should be linked to and be conditional upon the compound growth in the Group s post tax earnings per share over a three year cycle measured by reference to the last full year audited results So for example the performance period for the awards granted in 2011 will be the three financial years ended 30 June 2013 based on a level of growth from the audited year end 30 June 2010 normalised post tax earnings per share

The performance conditions applying to the awards are set as follows

Adjusted EPS growth over the three year plan cycle	% of award vesting
Below RPI + 15% per annum	Nil
RPI + 15% per annum	25%
RPI + 20% per annum	60%
RPI + 25% per annum	100%

With the percentage of awards vesting being pro-rated between these levels Upon vesting half of each award will be made in shares which the recipient will be required to hold for 12 months, and the balance in cash

Detailed in Note 4 is a summary of awards made under the LTIP during the year and those outstanding at the end of the year

The fair value of these awards has been calculated by reference to the scheme rules using a share price of £1 20 (2010 £0 96) applied to the number of awards made Based on the number of shares awarded disclosed in Note 4, a fair value of the outstanding awards of £275 500 has been calculated Based on current and forecast performance the Directors do not consider that the above awards will vest and therefore no charge is recognised in respect of these awards in this accounting period

NOTES TO THE ACCOUNTS

NOTE 6 FINANCE INCOME

	2011 £'000	2010 £'000
Other income	**51**	18
Net pension scheme income	**9**	-
	60	18

NOTE 7 FINANCE COSTS

	2011 £'000	2010 £'000
Bank loans and overdrafts	**140**	97
Net pension scheme costs	**-**	89
	140	186

NOTE 8 TAXATION

(a) Analysis of tax charge in the year	2011 £'000	2010 £'000
UK CORPORATION TAX		
- on profit for the year	**275**	317
- adjustment in repect of previous years	**(147)**	(141)
- foreign tax	**16**	-
- double tax relief	**(9)**	-
Total current tax charge	**135**	176
DEFERRED TAX		
Origination and reversal of temporary differences		
- current year charge	**(33)**	(62)
- prior year charge	**52**	100
- losses utilised in subsidiary	**99**	45
- effect of tax rate change on opening balance	**(6)**	-
Total deferred tax	**112**	83
Tax charge	**247**	259

NOTES TO THE ACCOUNTS

NOTE 8 TAXATION (CONTINUED)

(b) Factors affecting total tax charge for the year

The tax assessed on the profit before taxation for the year is lower (2010 lower) than the standard rate of UK corporation tax of 27 5% (2010 28 0%) The differences are reconciled below

	2011 £'000	2010 £ 000
Profit before taxation	**1,329**	1180
Tax at the applicable rate of 27 5% (2010 28 0%)	**365**	330
Effect of		
Expenses not deductable for tax purposes	**13**	(6)
Capital allowances for the year in excess of depreciation	**54**	63
Other temporary differences	**(17)**	(11)
Deferred tax movement	**(40)**	(62)
Foreign tax not recoverable	**6**	-
Adjustment in respect of previous years	**(147)**	(141)
Adjustment to deferred tax in previous years	**52**	100
Differences between UK and foreign tax rates	**(39)**	(14)
Actual tax charge	**247**	259

(C) Factors that may affect future tax charges

Provision has been made for deferred taxation on the Group s land and buildings on the basis that the principal location will be sold in the short to medium term and that the majority of its value will therefore be recovered through sale

There are potential reductions arising from any Research and Development tax credits when received which may affect future tax charges

NOTE 9 PAYMENTS TO SHAREHOLDERS

	2011 £'000	2010 £ 000
Final dividend paid - 4 1p (2010 4 1p) per share	**464**	464
Interim dividend paid - 2 2p (2010 2 2p) per share	**248**	248
	712	712

The Directors have recommended the payment of a final dividend of 4 1p per share (2010 4 1p)

NOTES TO THE ACCOUNTS

NOTE 10 EARNINGS PER SHARE

Basic and diluted	**2011**	2010
Profit for the year (£ 000)	**1,082**	921
Basic weighted average number of ordinary shares in issue during the year	**11,306,416**	11 290 800
Dilutive potential ordinary shares	**-**	-
	11,306,416	11 290 800
Basic earnings per share	**9 6p**	**8 2p**
Diluted earnings per share	**9 6p**	**8 2p**

Basic earnings per share has been calculated by dividing the profit for each financial year by the weighted average number of ordinary shares in issue at 30 June 2011 and 30 June 2010 respectively There is no significant difference at 30 June 2011 between the basic net earnings per share and the diluted net earnings per share The Directors are satisfied that there is not any dilutive effect of the awards made under the Long-Term Incentive Plan

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

GROUP	**Freehold land and buildings**	**Plant and machinery £'000**	**Total £'000**
Cost			
At 1 July 2009	7 674	25 664	33 338
Additions	-	960	960
Disposals	-	(333)	(333)
At 30 June 2010	7 674	26 291	33 965
Additions	145	1 365	1 510
Disposals	-	(147)	(147)
At 30 June 2011	**7,819**	**27,509**	**35,328**
Depreciation			
At 1 July 2009	2 083	19 948	22 031
Provided during the year	125	1 077	1 202
Disposals	-	(325)	(325)
At 30 June 2010	2 208	20 700	22 908
Provided during the year	131	1 041	1 172
Disposals	-	(147)	(147)
At 30 June 2011	**2,339**	**21,594**	**23,933**
Net book value			
At 30 June 2011	**5,480**	**5,915**	**11,395**
At 30 June 2010	5 466	5,591	11 057

Certain of the freehold land and buildings were re-valued in 1988 on an existing use basis to a total of £0 79m (historical cost £0 47m)

NOTES TO THE ACCOUNTS

NOTE 11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group elected to revalue its Wellington land portfolio only as allowed under the transitional provisions of IFRS The revaluation adjustment is based on an independent valuation prepared in April 2005 on the basis of market value assuming existing use to a total of £1 75m (historical value £0 79m) If none of the freehold land and buildings had been re-valued they would be restated at the following amounts

GROUP AND COMPANY	**2011 £'000**	2010 £ 000
Historical cost	**6,272**	6 272
Accumulated depreciation based on cost	**(1,923)**	(1 792)
Net book value	**4,349**	4 480

COMPANY	Freehold land and buildings	Plant and machinery £'000	Total £'000
Cost			
At 1 July 2009	7674	24 442	32116
Additions	-	886	886
Transfers to subsidiary	-	(185)	(185)
Disposals	-	(333)	(333)
At 30 June 2010	7674	24 810	32 484
Additions	145	1,317	1462
Transfers to subsidiary	-	(7)	(7)
Disposals	-	(147)	(147)
At 30 June 2011	**7,819**	**25,973**	**33,792**
Depreciation			
At 1 July 2009	2 083	19 626	21,709
Provided during the year	125	963	1 088
Transfers to subsidiary	-	(55)	(55)
Disposals	-	(325)	(325)
At 30 June 2010	2 208	20 209	22 417
Provided during the year	132	1 025	1157
Transfers to subsidiary	-	(1)	(1)
Disposals	-	(147)	(147)
At 30 June 2011	**2,340**	**21,086**	**23,426**
Net book value			
At 30 June 2011	**5,479**	**4,887**	**10,366**
At 30 June 2010	5 466	4 601	10 067

NOTES TO THE ACCOUNTS

NOTE 12 INTANGIBLE ASSETS

GROUP AND COMPANY	Software £'000
Cost	
At 1 July 2009	672
Additions	24
Disposals	(45)
At 30 June 2010	651
Additions	85
Disposals	(25)
At 30 June 2011	**711**
Amortisation	
At 1 July 2009	571
Provided during the year	41
Disposals	(45)
At 30 June 2010	567
Provided during the year	38
Disposals	(25)
At 30 June 2011	**580**
Net book value	
At 30 June 2011	**131**
At 30 June 2010	84

NOTE 13 INVESTMENTS

GROUP	2011 £'000	2010 £'000
Available for sale financial assets		
Cost		
At 30 June 2010	**46**	46
Additions in the year	**98**	-
Revaluation	**48**	-
At 30 June 2011	**192**	46

NOTES TO THE ACCOUNTS

NOTE 13 INVESTMENTS (CONTINUED)

COMPANY	Available for Sale Financial Assets £'000	Investments in Subsidiaries £'000	2011 Total £'000	2010 Total £ 000
Cost				
At 30 June 2010	**46**	**6,235**	**6,281**	6 281
Additions in the year	**98**	**-**	**98**	-
Revaluation	**48**	**-**	**48**	-
At 30 June 2011	**192**	**6,235**	**6,427**	6 281
Provision for impairment				
At 1 July 2010 and 30 June 2011	**-**	**(3,578)**	**(3,578)**	(3 578)
Net book value				
At 30 June 2011	**192**	**2,657**	**2,849**	2 703

The Company owns 100% of the voting rights and ordinary shares of the following principal subsidiary undertakings except as indicated below

Name of Company	Country of Registration	Nature of Business
Aerosols International Limited	England	Dormant
Atlas Group Limited	England	Dormant
Cosmetics Plus Limited	England	Dormant
Swallowfield Consumer Products Limited	England	Holding
Swallowfield s r o	Czech Republic	Trading - Czech manufacturing facility
Swallowfield sarl	France	Trading - French sales support office
Swallowfield Inc	United States of America	Trading - USA sales support office

The shares of Swallowfield s r o are owned by Swallowfield Consumer Products Limited

During the year the Group purchased an additional 9% share in the Chinese business Shanghai Colour Cosmetics Technology Company Limited (SCCTC), for consideration of £98 000 and the original investment was revalued at the fair value at the date of the additional share purchase The Groups total shareholding in SCCTC is now 19%

NOTE 14 INVENTORIES

GROUP AND COMPANY	2011 £'000	2010 £ 000
Raw materials	**4,662**	4,929
Work in progress	**769**	530
Finished goods and goods for resale	**2,997**	3 079
	8,428	8 538

The Group consumed inventories totalling £45 10m during the year (2010 £40 50m) No items are being carried at fair value less cost to sell (2010 £NIL)

NOTES TO THE ACCOUNTS

NOTE 15 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	£'000	£ 000	**£'000**	£ 000
Trade receivables	**12,737**	11117	**12,737**	11 117
Amounts owed by group undertakings	**-**		**438**	453
Loans to employees	**2**	3	**2**	3
Other receivables	**149**	170	**129**	170
Prepayments and accrued income	**862**	782	**744**	782
	13,750	12 072	**14,050**	12 525
Amounts owed by group undertakings greater than 1 year	**-**	-	**435**	919

The amounts owed by Group undertakings relate to intercompany receivables which have been split between current and greater than 1 year based on the anticipated repayment profile of these sums

The Directors consider that the carrying amount of trade and other receivables approximates their fair value

Detailed below is the movement on the bad and doubtful debt provision for the Group and Company

	2011	2010
	£'000	£ 000
Balance at 1 July 2010	**60**	35
Impairment loss recognised	**94**	58
Amounts recovered	**(154)**	(33)
Balance at 30 June 2011	**-**	60

Ageing of receivables

	2011	2010
GROUP AND COMPANY	**£'000**	£ 000
Current	**12,030**	10 326
Overdue but less than 90 days	**705**	463
More than 90 days overdue	**2**	328
	12,737	11 117

Our policy requires customers to pay us in accordance with agreed payment terms Depending on the geographical location our settlement terms are generally due within 30 or 60 days from the end of the month of sale and do not bear any effective interest rate All trade receivables are subject to credit risk exposure Where the Group identifies a specific concentration credit risk attached to any individually significant balances these are specifically reviewed for recoverability and suitable provision made having regard to the credit risk identified

NOTES TO THE ACCOUNTS

NOTE 16 ASSETS HELD FOR SALE

GROUP AND COMPANY	2011 £'000	2010 £000
Property plant and equipment	**167**	167

The asset held for sale at 30 June 2011 relates to a freehold warehouse that is expected to be sold within 12 months of the Statement of Financial Position date The Directors are satisfied that the recognition conditions set out in Appendix B of IFRS 5 have been met

NOTE 17 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2011 £'000	2010 £000	2011 £'000	2010 £000
Trade payables	**11,952**	10 416	**11,773**	10 308
Amounts owed to subsidiaries	**-**	-	**2,649**	2 755
Other taxes and social security costs	**637**	803	**637**	803
Accruals and deferred income	**900**	1 064	**904**	1 018
Other payables	**4,869**	-	**4,869**	-
	18,358	12 283	**20,832**	14 884

The Directors consider that the carrying value of trade and other payables approximates their fair value The amount due to other payables is secured on the book debts of the Company

NOTE 18 INTEREST-BEARING LOANS AND BORROWINGS - AMOUNTS FALLING DUE WITHIN ONE YEAR

GROUP AND COMPANY	2011 £'000	2010 £000
Secured		
Loans	**508**	1 968
Overdrafts	**-**	1 888
	508	3 856

The Directors consider that the carrying value of bank loans and overdrafts approximates to their fair value

NOTES
TO THE ACCOUNTS

NOTE 19 INTEREST-BEARING LOANS AND BORROWINGS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

GROUP AND COMPANY	**2011** **£'000**	2010 £ 000
Secured		
Loans	**500**	1008

Loans are repayable by instalments as follows

GROUP AND COMPANY	**2011** **£'000**	2010 (restated) £ 000
Between one and two years	**333**	508
Between two and five years	**167**	500
	500	1008

The Group s loan facilities are secured by fixed and floating charges over certain of the Group s freehold land and buildings The 2010 disclosures have been restated to provide the correct maturity of the debt

NOTE 20 OBLIGATIONS UNDER LEASES

OPERATING LEASES

At the Statement of Financial Position date the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows

	OTHER		LAND & BUILDINGS	
GROUP	**2011** **£'000**	2010 £ 000	**2011** **£'000**	2010 £ 000
Within one year	**112**	91	**483**	459
In the second to fifth years inclusive	**231**	105	**1,925**	1777
In over five years	**3**	3	**2,084**	2 471
	346	199	**4,492**	4 707

	OTHER		LAND & BUILDINGS	
COMPANY	**2011** **£'000**	2010 £ 000	**2011** **£'000**	2010 £ 000
Within one year	**112**	91	**327**	322
In the second to fifth years inclusive	**231**	105	**1,381**	1231
In over five years	**3**	3	**2,084**	2 403
	346	199	**3,792**	3 956

NOTES TO THE ACCOUNTS

NOTE 21 FINANCIAL INSTRUMENTS

The Group uses financial instruments comprising borrowings some cash and cash equivalents 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 raise finance for the Group s operations

The Group also has bank accounts denominated in Euros US Dollars Czech Koruna and Chinese Renminbi The purpose of these accounts is to manage the currency transactions arising from the Groups operations overseas The main risks arising from the Group s financial instruments are interest rate risk foreign currency risk and liquidity risk The Board reviews and agrees policies for managing each of these risks and they are summarised below These policies have remained unchanged from the previous year

INTEREST RATE RISK

The Group finances its operations through a mixture of debt and equity

The Group s loan borrowings bear interest at rates based on the bank s base rate The Group Statement of Financial Position also includes financial assets in the form of cash at bank and in hand totalling £1186 000 (2010 £532 000) which are exposed to floating interest rates based on bank base rates The Group Statement of Financial Position also includes financial liabilities in the form of an overdraft facility totalling £NIL (2010 £1,888,000) which is exposed to floating interest rates based on bank base rates

A 0 5% increase in bank base rates would reduce pre-tax profits by £26,000 in the period A 0 5% decrease would have the opposite effect

FOREIGN CURRENCY RISK

The Group is exposed to transactional foreign exchange risk The Group seeks to hedge its exposures using bank facilities denominated in Euros US Dollars Czech Koruna and Chinese Renminbi and also by buying and selling products in these currencies with the objective of minimising fluctuations in exchange rates on future transactions and cash flows

Approximately 14% of the Group s sales are invoiced in Euros and 6% in US Dollars These sales are calculated in sterling but invoiced in Euros/US Dollars The Group policy is to minimise currency exposures on balances for which settlement is not anticipated until a later date through the use of the respective bank facilities All other Group sales are denominated in sterling

At 30 June 2011 there were sums totalling £316 000 (2010 £1 472 000) held in foreign currency bank accounts

A 5% weakening of sterling would result in a £161 000 increase in reported profits and equity while a 5% strengthening of sterling would result in a £146 000 decrease in profits and equity

LIQUIDITY RISK

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet the identifiable needs of the Group and to invest cash assets safely and profitably

NOTES TO THE ACCOUNTS

NOTE 21 FINANCIAL INSTRUMENTS (CONTINUED)

The Group s and Company s liabilities have contractual maturities as summarised below

	CURRENT		NON-CURRENT	
	Within 6 months £'000	6 - 12 months £'000	1 - 5 years £'000	Over 5 years £'000
GROUP 30 JUNE 2011				
Bank overdraft and loans	**247**	**278**	**508**	-
Trade and other payables	**17,458**	**28**	-	-
	17,705	**306**	**508**	-
COMPANY 30 JUNE 2011				
Bank overdraft and loans	**247**	**278**	**508**	-
Trade and other payables	**17,279**	**16**	-	-
	17,526	**294**	**508**	-
GROUP 30 JUNE 2010				
Bank overdraft and loans	3 689	245	1 028	-
Trade and other payables	11,219	41	-	-
	14 908	286	1 028	-
COMPANY 30 JUNE 2010				
Bank overdraft and loans	3,689	245	1 028	-
Trade and other payables	11,111	40	-	-
	14 800	285	1 028	-

WORKING CAPITAL

The Group s working capital policy is to fund short-term movements through excess cash generated from the trading business The maturity profile of the Group's interest-bearing borrowings at the year end is shown in Note 19

The Group had £3 65m (2010 £2 95m) undrawn committed borrowing facilities available at 30 June 2011 The maturity profile of committed bank facilities is regularly reviewed and such facilities are extended or replaced well in advance of their expiry

NOTES TO THE ACCOUNTS

NOTE 21 FINANCIAL INSTRUMENTS (CONTINUED)

CAPITAL MAINTENANCE
The Group s objectives when managing capital are

- to safeguard the Group s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk and
- to maintain an optimal capital structure to reduce the cost of capital

The Group sets the amount of capital in proportion to risk The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders return capital to shareholders issue new shares or sell assets to reduce debt

FINANCIAL ASSETS
Financial assets included in the Statement of Financial Position relate to the followings IAS 39 categories

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	£'000	£ 000	**£'000**	£ 000
Loans and receivables	**14,074**	11 822	**14,827**	13 177
Available for sale	**192**	46	**192**	46
	14,266	11 868	**15,019**	13 223

The financial assets are included in the Statement of Financial Position within the following headings

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	£'000	£ 000	**£'000**	£ 000
Non-current assets				
Investments	**192**	46	**192**	46
Current assets				
Trade receivables	**12,737**	11 117	**12,737**	11 117
Loans to employees	**2**	3	**2**	3
Other receivables	**149**	170	**129**	170
Intercompany receivables	**-**	-	**438**	453
Cash and cash equivalents	**1,186**	532	**1,086**	515
	14,266	11 868	**14,584**	12 304
Non-current assets				
Intercompany receivables greater than 12 months	**-**	-	**435**	919
	14,266	11 868	**15,019**	13 223

NOTES TO THE ACCOUNTS

NOTE 21 FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL LIABILITIES

Financial liabilities included in the Statement of Financial Position relate to the following IAS 39 categories

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	£'000	£ 000	**£'000**	£ 000
Financial liablities measured at amortised cost	**17,829**	15 280	**20,299**	17 927

The financial liabilities are included in the Statement of Financial Position within the following headings

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	£'000	£ 000	**£'000**	£ 000
Current liabilities				
Borrowings	**508**	3 856	**508**	3 856
Trade payables	**11,952**	10 416	**11,773**	10 308
Intercompany payables	**-**	-	**2,649**	2 755
Other payables	**4,869**	-	**4,869**	-
Non-current liabilities				
Borrowings	**500**	1 008	**500**	1 008
	17,829	15 280	**20,299**	17 927

NOTE 22 DEFERRED TAX LIABILITIES

The movement in deferred tax provisions is analysed as follows

GROUP	£'000
Deferred taxation	
At 1 July 2009	(142)
Amount charged to the Statement of Comprehensive Income	83
At 30 June 2010	(59)
Amount charged to the Statement of Comprehensive Income	112
Temporary exchange differences	(16)
At 30 June 2011	**37**

NOTES TO THE ACCOUNTS

NOTE 22 DEFERRED TAX LIABILITIES (CONTINUED)

	2011 £'000	2010 £'000
Deferred tax is represented by		
Capital allowances in advance of depreciation	**529**	584
Temporary difference on post retirement benefit obligations	**(613)**	(674)
Foreign tax losses carried forward	**2**	(97)
Other temporary differences	**135**	128
Temporary exchange differences	**(16)**	-
	37	(59)
Recognised as		
Deferred tax assets	**-**	(99)
Deferred tax liabilities	**37**	40
	37	(59)

COMPANY	£'000
Deferred taxation	
At 1 July 2009	-
Amount charged to the Statement of Comprehensive Income	38
At 30 June 2010	38
Amount charged to the Statement of Comprehensive Income	13
At 30 June 2011	**51**

	2011 £'000	2010 £'000
Deferred tax is represented by		
Capital allowances in advance of depreciation	**529**	584
Temporary difference on post retirement benefit obligations	**(613)**	(674)
Other temporary differences	**135**	128
	51	38
Recognised as		
Deferred tax assets	**-**	-
Deferred tax liabilities	**51**	38
	51	38

Provision has not been made for deferred taxation on the full carrying value of the Groups land and buildings on the basis that the full value of these assets will not be recovered through use and that indexation will result in no taxable gain arising on disposal

NOTES TO THE ACCOUNTS

NOTE 23 SHARE CAPITAL

	2011 £'000	2010 £ 000
Equity ordinary share capital		
Authorised share capital 25 800 000 shares of 5p each	**1,290**	1 290
Allotted called-up and fully paid ordinary shares at 1 July 2010	**566**	563
Issued during the year	**-**	3
Allotted called-up and fully paid ordinary shares at 30 June 2011	**566**	566

The total number of shares in issue at the end of the year was 11,306 416 (2010 11 306 416)

NOTE 24 NOTES TO CASH FLOW STATEMENT

GROUP **(a) Reconciliation of cash and cash equivalents to movement in net debt**	2011 £'000	2010 £ 000
Increase/(decrease) in cash and cash equivalents	**2,542**	(44)
Net cash inflow from increase in borrowings	**(2,901)**	(933)
Change in net debt resulting from cashflows	**(359)**	(977)
Net debt at 1 July 2010	**(4,332)**	(3 355)
Net debt at 30 June 2011	**(4,691)**	(4 332)

(b) Analysis of net debt	1 July 2010 £ 000	Non-cash Movement £ 000	Cash Flow £'000	**30 June 2011 £'000**
Cash at bank and in hand	532	-	654	**1,186**
Bank overdraft	(1,888)	126	1762	**-**
	(1 356)	126	2 416	**1,186**
Secured debt facility	-	-	(4 869)	**(4,869)**
Borrowings due within one year	(1 968)	-	1 460	**(508)**
Borrowings due after one year	(1 008)	-	508	**(500)**
	(4 332)	126	(485)	**(4,691)**

COMPANY **(a) Reconciliation of cash and cash equivalents to movement in net debt:**	2011 £'000	2010 £ 000
Increase in cash and cash equivalents	**2,459**	-
Net cash inflow from increase in borrowings	**(2,901)**	(933)
Change in net debt resulting from cashflows	**(442)**	(933)
Net debt at 1 July 2010	**(4,349)**	(3 416)
Net debt at 30 June 2011	**(4,791)**	(4 349)

NOTES TO THE ACCOUNTS

NOTE 24 NOTES TO CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of net debt	1 July 2010 £ 000	Non-cash Movement £ 000	Cash Flow £ 000	**30 June 2011 £'000**
Cash at bank and in hand	515	-	571	**1,086**
Bank overdraft	(1 888)	124	1 764	**-**
	(1 373)	124	2 335	**1,086**
Secured debt facility	-	-	(4 869)	**(4,869)**
Borrowings due within one year	(1 968)	-	1 460	**(508)**
Borrowings due after one year	(1 008)	-	508	**(500)**
	(4,349)	124	(566)	**(4,791)**

NOTE 25 CAPITAL COMMITMENTS

GROUP AND COMPANY	**2011 £'000**	2010 £ 000
Contracted for but not provided	**294**	190

NOTE 26 POST RETIREMENT BENEFITS

The Group and Company operates two defined contribution pension plans and a defined benefit plan all of which are funded by the payment of contributions to separately administered plans

The Group and Company operates a funded defined benefit scheme in the UK A full actuarial valuation was carried out as at 5 April 2008 and updated to 30 June 2011 by a qualified independent actuary

(a) The principal actuarial assumptions used at the Statement of Financial Position date were as follows

	2011 £'000	2010 £ 000
Rate of increase in salaries	**4 0%**	3 7%
Rate of increase in pensions in payment		
RPI max 5% min 0% (2010 LPI 5% cap)	**3 4%**	3 2%
RPI max 2 5% min 0% (2010 LPI 2 5% cap)	**2 3%**	2 2%
CPI max 3% min 0% (2010 GMP)	**2 3%**	2 5%
Discount rate	**5 5%**	5 4%
Inflation assumption (RPI)	**3 5%**	3 2%
Inflation assumption (CPI)	**2 8%**	-
Mortality assumptions		
Life expectancy of male aged 65 now	**19 6**	19 6
Life expectancy of male aged 65 in 20 years	**19 9**	19 9
Life expectancy of female aged 65 now	**22 5**	22 5
Life expectancy of female aged 65 in 20 years	**22 9**	22 9

NOTES TO THE ACCOUNTS

NOTE 26 POST RETIREMENT BENEFITS (CONTINUED)

The mortality assumptions used for the Aerosols International Limited Pension Plan are based upon recent mortality experiences of members within the scheme and also allow for future mortality improvements

In June 2010 the Government announced that CPI as opposed to RPI will be used as the measure of inflation to determine the statutory pension increases This move to CPI has been deemed to be a change in scheme rules for certain members of the scheme and the resultant gain has been reported as a change in actuarial assumption

(b) Amounts recognised in the Statement of Comprehensive Income

	2011 £'000	2010 £'000
Operating cost		
Current service cost	**282**	190
Group life premiums	**29**	35
	311	225
Finance (income)/expense		
Expected return on pension scheme assets	**(858)**	(725)
Interest on pension scheme liabilities	**849**	814
Net finance (income)/expense	**(9)**	89
Total Statement of Comprehensive Income	**302**	314

The actual return on scheme assets was an increase of £1 67m (2010 reduction £2 33m)

(c) The operating cost is charged as follows

	2011 £'000	2010 £'000
Cost of sales	**213**	167
Commercial and administration	**98**	58
	311	225

(d) Amounts recognised in the Statement of Financial Position

	2011 £'000	2010 £ 000
Present value of funded obligations	**(16,121)**	(15 634)
Fair value of sceme assets	**14,248**	12 528
	(1,873)	(3 106)
Unrecognised amounts		
Actuarial (gains/losses)	**(483)**	699
Net liability recognised in the Statement of Financial Position	**(2,356)**	(2 407)

NOTES TO THE ACCOUNTS

NOTE 26 POST RETIREMENT BENEFITS (CONTINUED)

(e) Changes in present value of defined benefit obligations

	2011 £'000	2010 £ 000
At 1 July	**(15,634)**	(12 526)
Movement in the year		
Current service cost	**(282)**	(190)
Finance cost	**(849)**	(814)
Employee contributions	**(201)**	(210)
Net benefits paid out	**477**	430
Actuarial gains/(losses)	**368**	(2 324)
At 30 June	**(16,121)**	(15 634)

(f) Changes in fair value of scheme assets

	2011 £'000	2010 £ 000
At 1 July	**12,528**	10 096
Movement in the year		
Expected return on assets	**858**	725
Contributions - employer	**324**	322
Contributions - employee	**201**	210
Benefits paid out	**(477)**	(430)
Actuarial gains/(losses)	**814**	1 605
At 30 June	**14,248**	12 528

(g) The fair value of the scheme assets and the expected rates of return at 30 June 2011 were as follows

	Expected Rate of Return	Market Value £'000	Expected Rate of Return	Market Value £ 000
Equities	**8 00%**	**8,649**	7 90%	7 304
Property	**8 00%**	**983**	7 90%	814
Index linked gilts	**4 50%**	**1,168**	4 40%	1 065
Corporate bonds	**5 50%**	**3,363**	5 35%	3 170
Other	**0 50%**	**85**	0 50%	175
		14,248		12 528

The scheme assets do not include any of the Company s own financial instruments nor any property occupied by or assets used by, the Company

The expected rates of return on individual categories of scheme assets are determined by reference to relevant indices The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the scheme's investment portfolios

NOTES TO THE ACCOUNTS

NOTE 26 POST RETIREMENT BENEFITS (CONTINUED)

(h) History of plan - The history of the plan for the current year and prior years is as follows

	2011 £'000	2010 £000	2009 £000	2008 £000	2007 £000
Statement of Financial Position					
Present value of defined benefit obligation	**(16,121)**	(15 634)	(12 526)	(11 924)	(12 754)
Fair value of sceme assets	**14,248**	12 528	10 096	11 367	12 196
At 30 June	**(1,873)**	(3 106)	(2 430)	(557)	(558)
Experience gains/(losses)					
Actuarial gains/(losses) on scheme assets	**814**	1,605	(2 173)	(1 825)	519
Experience gains on scheme liabilities	**1**	-	-	512	-
Total experience gains/(losses)	**815**	1 605	(2 173)	(1 313)	519

The Group expects to contribute approximately £0 42m to its defined benefit scheme in 2012

NOTE 27 RELATED PARTIES

The key management personnel are considered to be the Directors and their remuneration is disclosed in Note 4 and in the Directors Remuneration Report on pages 36 to 39

In the year to 30 June 2011 Swallowfield plc sold plant and equipment at a net book value of £6 000 (2010 £130 000) to Swallowfield s r o and also purchased goods and services amounting to £2 182 000 (2010 £1 947 000) from the same company

At the year end the Company had payables due to Swallowfield s r o amounting to £155 000 (2010 £258 500) being disclosed within Trade and other payables' (see Note 17) Trade and other payables also includes an amount of £2 494 000 (2010 £2 494 000) in respect of amounts due to dormant subsidiaries (see Note 17)

In the year to 30 June 2011 the Group purchased services amounting to £49,000 (2010 £56 000) from Swallowfield sarl At the 2011 year end the Company had receivables due from Swallowfield sarl amounting to £43 000 being disclosed within the Trade and other receivables (see Note 15) At the 2010 year end the Company had payables due to Swallowfield sarl amounting to £2 600 being disclosed within the Trade and other payables (see Note 17)

During the year Swallowfield plc provided a loan facility to Swallowfield Consumer Products Limited with the balance at the year end of £830 000 (2010 £1,372,000) being disclosed within Trade and other receivables (see Note 15) Interest of £56 000 (2010 £56 000) was payable on this loan during the year

NOTE 28 EVENTS POST STATEMENT OF FINANCIAL POSITION

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation

FIVE YEAR SUMMARY

The following five year summary has been produced to allow improved comparisons to be made between the current results and those of prior years

	IFRS audited Financial Year 2011 £'000	IFRS audited Financial Year 2010 £ 000	IFRS audited Financial Year 2009 £ 000	IFRS audited Financial Year 2008 £ 000	IFRS audited Financial Year 2007 £ 000
First day of financial year	**1 July 2010**	1 July 2009	1 July 2008	1 July 2007	1 July 2006
Last day of financial year	**30 June 2011**	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Number of weeks in financial year	**52**	52	52	52	52
Statement of Comprehensive Income					
Revenue	**57,452**	52 449	49 129	44 820	44 715
Adjustment to 52 week basis	**-**	-	-	-	-
Adjusted revenue	**57,452**	52 449	49 129	44 820	44 715
Operating profit before exceptional items	**1,409**	1 348	1 522	1 537	1 318
Exceptional items	**-**	-	26	1 024	(244)
Operating profit	**1,409**	1 348	1 548	2 561	1 074
Net interest	**(80)**	(168)	(209)	(217)	(387)
Profit before taxation	**1,329**	1 180	1 339	2 344	687
Taxation	**(247)**	(259)	(245)	93	(248)
Profit attributable to equity shareholders	**1,082**	921	1 094	2 437	439
Payments to shareholders	**(712)**	(712)	(664)	(304)	-
Statement of Financial Position					
Non-current assets	**11,718**	11 286	11 597	11 225	11 109
Net current assets	**4,621**	5 129	5 041	5 320	6 157
Total assets less current liabilities	**16,339**	16 415	16 638	16 545	17 266
Non-current liabilities					
Loans and lease finance	**(500)**	(1 008)	(1 471)	(1 583)	(3 920)
Long term employee benefits	**(2,356)**	(2 407)	(2 450)	(2 584)	(2 717)
Deferred tax	**(37)**	(40)	(1)	(46)	(476)
Equity	**13,446**	12 960	12 716	12 332	10 153
Net debt	**4,691**	4 332	3 355	2 418	4 882
Statistics					
Weighted average number of shares in issue	**11,306,416**	11 290 800	11 256 416	11 256 416	11 256 416
Undiluted earnings per share	**9 6p**	8 2p	9 7p	21 6p	3 9p
Gearing	**35%**	33%	26%	20%	48%
Dividends per share	**6 3p**	6 3p	5 9p	2 7p	-

CORPORATE DIRECTORY

DIRECTORS

M J Hagen
(Chairman)
I A Mackinnon
(Chief Executive Officer)
J M Fletcher
(Group Sales and Marketing Director)
M W Warren
(Group Finance Director)
F P Berrebi
(Non-executive Director)
S D Boyd
(Senior Independent non-executive Director)
R S McDowell
(Non-executive Director)

SECRETARY

M W Warren FCCA

REGISTERED OFFICE

Swallowfield House
Station Road
Wellington
Somerset TA21 8NL

STOCKBROKERS

Smith & Williamson Corporate Finance Ltd
Portwall Place
Portwall Lane
Bristol BS1 6NA

REGISTRARS

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgewater Road
Bristol BS99 7NH

REGISTERED NUMBER

01975376

AUDITORS

Grant Thornton UK LLP
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SOLICITORS

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol BS1 6EG

BANKERS

Barclays Bank plc
Park House
Newbrick Road
Bristol BS34 8TN

WEBSITE ADDRESS

www.swallowfield.com

FINANCIAL CALENDAR

Annual General Meeting
3 November 2011
Proposed final dividend payment
25 November 2011
Interim results announcement
February 2012
Interim dividend payment
May 2012
Preliminary announcement of 2012 results
September 2012
2012 Annual General Meeting
November 2012

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