swallowfield

ANNUAL REPORT & ACCOUNTS

2015

Swallowfield plc

Registered No: 01975376

ANNUAL REPORT AND ACCOUNTS 2015

Swallowfield plc is a market leader in the development, formulation, and supply of personal care and beauty products. Our customers include many of the world's leading brands.

Forward-looking statements

Certain statements in this Swallowfield plc Annual Report and Accounts 2015 constitute "forward-looking statements". Forward-looking statements may sometimes, but not always, be identified by words such as "will", "may", "should", "continue", "believes", "expects", "intends" or similar expressions. These forward-looking statements are subject to risks, uncertainties and other factors which, as a result, could cause Swallowfield plc's actual future financial condition, performance and results to differ materially from the plans, goals and expectations set out in the forward-looking statements. Such statements are made only as at the date of this Report and, except to the extent legally required, Swallowfield plc undertakes no obligation to revise or update such forward-looking statements.

Financial Highlights

Revenue growth of 0.6% at £49.4m (2014: adjusted £49.1m). Revenues were 2.6% higher than prior year on a constant currency basis.

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Operating profit increased by 30% in the period to £1.00m (2014: adjusted £0.77m).

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Profit before tax and exceptional items increased by 62% to £0.81m (2014: adjusted £0.50m).

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Earnings per share increased by 69% to 6.6p (2014: adjusted 3.9p).

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Net debt position of £5.4m (2014: £5.1m), after the outflow of £1.2m on the acquisition of 'The Real Shaving Company' brand.

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Re-instatement of dividend with a proposed final dividend of 2.0p per share (2014: Nil).

Operational Highlights

Continued growth of 'drive' product lines improving both margin and competitive advantage.

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Acquisition and successful integration of 'The Real Shaving Company' brand, which has also developed new sales channels for other Swallowfield owned brand lines.

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First production of innovative new plastic aerosol technology. This innovation represents a world first in its product category and format.

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Cost optimisation project completed as planned at our Bideford site.

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First shipments of premium beauty brand 'Bagsy'.

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Premium male haircare brand 'MR.' to be launched with a national retailer in October.

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Secured new contracts with major global brand owners that will contribute to further growth in fiscal 2016 and beyond.

CHAIRMAN'S FOREWORD

Results

£m unless otherwise stated	2015	2014
Reported Results[1]		
Revenue[2]	£49.4m	£49.1m
Revenue (constant currency)[3]	£50.4m	£49.1m
Operating profit[1]	£1.00m	£0.77m
Adjusted earnings per share[1]	6.6p	3.9p
Statutory Results		
Revenue[2]	£49.4m	£50.0m
Operating profit	£1.00m	£0.40m
Basic earnings per share	6.6p	1.4p
Total Dividend per share	2.0p	-
Net debt	£5.4m	£5.1m

[1] Adjusted operating profit and adjusted earnings per share are calculated before exceptional items.
[2] 2014 statutory revenue represents 53 weeks trading, adjusting for the 53 week would reduce reported revenue by £0.94m. Except for revenue, where the relevant adjustment has been shown above, no material changes would be required to the income statement to adjust the 2014 financial year numbers to a 52 week basis.
[3] Revenue translated at 2014 exchange rates.

I am pleased to report that full year profitability is in line with our expectations and we continue to make good underlying progress with our 'Building a Better Swallowfield' strategy. We are investing for the future, repositioning the business, and delivering industry leading innovative new products and packaging formats. This strategy will continue to strengthen our market position, improve our competitive advantage and help to build shareholder value in both the medium and long term.

Business Review

Following a full review of the business which was completed in 2014, a new, focused strategy has been implemented which is already beginning to deliver demonstrable results. We expect this strategy to continue to improve profitability, increase cash generation and add shareholder value over future years. Further details are outlined in the Strategic Report that follows.

The Group has made good progress on a number of its strategic pillars (Product Category Focus, New Product Development, Cost Base Optimisation, and Emerging New Category). The main focus of our business remains the development, formulation, and supply of personal care and beauty products for customers which include many of the world's leading brands. Through continued investment and execution of our Product Category Focus our offering has become increasingly differentiated, which has the dual benefit of a positive impact on margin contribution and also improving our competitive advantage, thereby making the Group more resilient.

Alongside this core business, we continue to increase the sales of brands that are owned by the Group and which we control from formulation through to distribution. The acquisition of 'The Real Shaving Company' in May of this year for a total cash consideration of £1.15 million represents the most significant investment to date. I am pleased to report that the brand has been integrated successfully and that the business is performing well. In addition to its financial contribution, 'The Real Shaving Company' has also added further sales channels which the Group will leverage for other Swallowfield owned brand products.

Overall, the improved margin has offset a slight softness in sales revenues versus expectations. This was due to the delayed availability of some materials and the continuing headwind of the weak euro.

Dividends

The Board is pleased to announce that it will be proposing a final dividend of 2.0 pence for approval at this year's Annual General Meeting (2014: Nil).

This reinstatement of the dividend reflects the Board's confidence and progress on our strategy which is designed to build shareholder value in the medium and long term.

However, as previously advised, it is the Directors' intention to have a growth dividend policy and align future dividend payments to the underlying earnings and cash flow of the business, taking in to account the gearing and the operational requirements of the business.

Outlook

Despite the ongoing challenging market conditions, and the impact of the weaker euro, we have delivered a significant increase in profitability for the full year.

We are pleased with progress made to date on a number of significant milestones for the business, including new product launches, new 'owned' brands and the acquisition of 'The Real Shaving Company', all of which will positively contribute in the new financial year.

We remain confident that our strategy will deliver further profitability growth and shareholder value in the current year and beyond.

Brendan Hynes
Chairman
21 September 2015

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STRATEGIC REPORT

"It has been a year of measurable progress. Sales, gross margins and operating profit have all improved whilst we have also secured important new contracts in our drive and build categories that will support future growth."

CHRIS HOW
CHIEF EXECUTIVE OFFICER

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CHIEF EXECUTIVE'S REPORT

The Group has continued to make measurable progress over the past year. Whilst overall revenue growth is modest (0.6% reported; 2.6% on constant currency), it is underpinned by a strengthening of our direct contribution margin as we focus on product categories where we have a more resilient competitive position. This increased margin and further operational improvements have mitigated the continuing euro headwind and driven an improvement in the adjusted operating profit before tax, which is 30% higher than last year at £1.0 million.

During the course of the year we have continued to develop a better balanced business. The broadening of our overall customer and geographic mix, plus the product category focus, has further improved our risk profile. For example in 2012 we had three customers accounting for 52% of revenue, with the largest customer representing 25%. Three years on we now have seven customers representing the same proportion of revenue, with the largest customer now representing 14% of revenue.

OUR BUSINESS AND STRATEGY

Swallowfield plc is a market leader in the development, formulation, and supply of personal care and beauty products. Our customers include many of the world's leading brands.

In early 2014 we embarked on our strategy to 'Build a Better Swallowfield'. This strategy is now firmly in place and beginning to deliver tangible results both in terms of long term business health and financial performance.

What We Do

Our core business is to formulate and produce quality products for many of the world's leading personal care and beauty brands. We leverage our skilled resources to develop and market a growing portfolio of Swallowfield owned and managed brands.

Our Locations

Wellington, Somerset: our head office, a manufacturing and development location, predominately focused an aerosol and hot pour deodorant sticks.

Bideford, North Devon: manufacturing and development location focused on cosmetic wood pencils, small hot pour lip balms and plastic pencils.

Tabor, Czech Republic: a filling location focused on cosmetics, fragrances, tubes and roll-ons.

Shanghai: a local representative office and location of our 19% investment in Shanghai Colour Cosmetic Technology Company (SCCTC). SCCTC are focused on gift packs and cosmetics.

Paris and New York: sales support offices, located close to our customers.

FIGURE 1 Our Core Customers

FIGURE 2 Sales by Product Type

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Our Customers and Markets

***Figure 1** outlines the range of customer types we supply. We are proud to work with some of the world's leading brands* and retailers.

We invoiced 61% of sales to customers in the United Kingdom, 34% to those in Europe and 5% in Rest of World, with a number of customers onward exporting globally. There is a strong probability Swallowfield produced products will be found in many markets around the world.

Our Products

Figure 2 outlines the current sales value mix of product types.

Our Locations ↓

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Our Competitive Strength

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Innovation, our talented chemists have an industry-wide reputation for developing great new product formulations, especially in our drive and build product categories.

Packaging Solutions, our team works across our customer base to design innovative and effective packaging solutions.

Regulatory Expertise, our team are able to advise customers as to regulatory requirements across a broad range of product types and across a variety of geographies thereby enhancing the potential of these products in export markets.

Quality Customer Base, the vast majority of our products are developed and produced for strong brands or more premium beauty and fashion retailers. Grocery private label products account for less than 10% of our contribution margin.

Expertise in our "drive" Categories, we have an industry reputation for quality, expertise and cost competitiveness in our drive categories (e.g. Aerosols, Hot Pour Products). These product categories also have significant barriers to entry in terms of skill and assets required.

Geographic Flexibility, our ability to fill and pack products in the UK, Central Europe and Asia enable us to tailor our offer to meet a variety of customer needs around, cost, quality, complexity and lead-times.

Formulatory Expertise, the majority of our sales are from formulations that we have either developed ourselves or jointly with our customers. This enables our relationships and specific contracts to be on a more secure, long term partnership basis.

Executing our strategy

'Creating for Tomorrow, Delivering for Today'

Our business strategy is developed on two complimentary platforms:

- the first, 'Creating for Tomorrow' identifies the strategic pillars that we believe will help us create a stronger business in the mid and long term.
- the second, 'Delivering for Today' identifies some key operational focus areas that we need to drive in order to deliver our more immediate (i.e. current fiscal) performance.

The 4 strategic pillars of 'Creating for Tomorrow' are:

1. Product Category Focus
2. New Product Development
3. Cost Base Optimisation
4. Emerging New Category

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PRODUCT CATEGORY FOCUS

The business has segmented our product categories in to 'drive', 'build', and 'service' groups.

Our 'drive' products are categories where Swallowfield has an existing and sustainable competitive advantage. Future investment of both human and financial resources will be prioritised to drive higher growth and profitability in each of these categories.

Specifically in our drive categories we aim to:

- Prioritise development resource
- Achieve 'best in class' reputation for consumer, technical and production expertise
- Invest in production assets to drive cost and capacity
- Grow sales and margin ahead of group average

Our drive categories include:

1. Personal care aerosols
2. Hot pour products (for lips, face, hair, and underarm)
3. Roll-ons

We are pleased to report that we achieved in the year a direct contribution margin growth in our drive categories of 9%. Further we have secured new contracts with major global brand owners that will contribute to further growth in fiscal 2016 and beyond.

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NEW PRODUCT DEVELOPMENT

"Our core customers are brand owners who require a constant stream of product innovation to remain competitive and we have built a reputation as a valuable partner to them in this process."

JANE FLETCHER
GROUP SALES AND MARKETING DIRECTOR

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NEW PRODUCT DEVELOPMENT

Core Business Innovation

In the year we introduced our innovative new plastic aerosol product in a post-foaming shower gel format. This technology offers the consumer and brand owners' significant benefits. This project, which has created a world-first product, has taken three years to develop and included many technical innovations to overcome challenges around elements such as: pressurisation precision, crimping technology, gassing techniques, formulation compatibility, shrink-sleeving onto heat sensitive PET and many more. It has enabled us to secure a long term contract with one of our largest customers, and provides us with the opportunity to extend this technology to other 'drive' product categories and customers.

Swallowfield Owned Brands

As well as our core work we are also utilising our product development, manufacturing, and distribution expertise to create innovative ranges of products which are being taken to market under our own brand names. These are positioned to avoid any direct conflict with our existing valued customer base. Through highly targeted campaigns and the use of low cost customer engagement channels such as social media, we believe we can build strong brand awareness to support product sales with moderate and sustainable investment levels.

The recently acquired brand **The Real Shaving Company** has now been successfully integrated into the business. Customer response to our innovation plans for the brand have been very positive and first listings for our new aerosol products have been agreed.

Development of our organically developed Swallowfield brands continues to progress well:

Our premium beauty brand, '**Bagsy**' was introduced in June, exclusively on-line, and will be launched with a major national department store chain in October.

Distribution of our value brand '**Tru**' has been extended, and it is now present in three UK retailers and one in Europe.

Our premium and innovative new male haircare brand '**MR.**' will be launched in October into three hundred and fifty stores of a leading high street health and beauty retailer.

Bagsy®

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The Real Shaving Company*

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MR.*

TRU*

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COST BASE OPTIMISATION

We aim to improve our space and asset utilisation across our locations, which will reduce the cost base and improve productivity. In fiscal 2015 we completed the consolidation of our Bideford site into two buildings from three, relocating selected manufacturing lines to Tabor in the Czech Republic. This project delivers full year savings of £0.23m. We are continuing to evaluate options to optimise the use and location of our production assets across all Group sites.

We have identified a project to implement a coordinated upgrade of our energy and waste infrastructure at our main Wellington site, which aims to generate savings of approx. £0.15m per annum. This is expected to be completed during fiscal 2016.

This project delivers full year savings of £0.23m.

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EMERGING NEW CATEGORY

We continue to work on a number of innovative projects which may lead to the establishment of new capabilities (e.g. food, scented candles, and medical devices). However, the success to date of our owned brand projects lead us to conclude that strategic resource is better deployed to further accelerate in that area. Consequently we will roll our work on Emerging New Category into a broader Innovation stream and allocate resources in that context.

Evolution of our strategic pillars

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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.

It is worth noting that uncertainties also bring opportunities. The Group's objective here is not to eliminate risks but rather to manage them in a way which allows the business to minimise the downside impact whilst also allowing it to exploit the opportunities that arise to the full.

Risk Description	Potential Impact	Mitigation
Market competiveness, for example - weaker consumer demand in difficult economic climates - aggressive and/or extended promotional activity from large-scale brand competitors to our clients - the competitive retail environment	Significant loss of contracts and/or potential slow-down in demand for products, leading to potential adverse impact on profitability and subsequent inability to deliver long-term shareholder value.	The Group seeks to adapt its operations to match changing demand but recognises that elements of the cost base are fixed. The Board remains confident that the new strategy outlined in early 2014 will gain further momentum, improve profitability and continue to build shareholder value.
The Group has historically relied for a proportion of its turnover on a small number of key customers	Adverse effect upon the Group's operating results	The Group tracks business development by customer and maintains with them a regular dialogue. In 2012 we had three customers accounting for 52% of revenue, with the largest customer representing 25%. This year we now have seven customers representing the same proportion of revenue, with the largest customer now 14%. We have driven good levels of net growth across new and existing customers with this reduced dependency on certain clients and the continuing broadening of the overall customer, geographic and product mix will continuing to improve our risk profile.

Risk Description	Potential Impact	Mitigation
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.
Environment and Health & Safety risk	Adversely impact on the 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.
People risks related to the loss of key staff, insufficient planning for management succession.	Adversely impact on the 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. The 'Building a Better Swallowfield' agenda outlines the key elements of how we want to build a Swallowfield that is an interesting and rewarding place to work, that consistently exceeds the expectations and needs of our customers and delivers sustained profitable growth for our shareholders. This has provided a framework that clarifies our values, our short, mid and long term priorities and the key measures in place to measure our progress.
Product Recall - products which are discovered to be a risk to consumer safety or in breach of legal or regulatory requirements could potentially lead to a public product recall (i.e. recovery of a product from the ultimate consumer as well as our customers). A range of different factors can lead to a public product recall, including poor design, material quality failures, incorrect production processes and deliberate/accidental contamination/ damage at a point in the supply chain.	There are clear financial, reputational and regulatory risks associated with a public product recall. A public product recall could lead to undermining of customer and consumer confidence resulting in potential loss of volume and brand value in the product affected, as well as those of a similar nature. The Group may also face potential financial liabilities to customers and/or consumers.	We have formalised development protocols to ensure the products we design are fit for purpose and comply with all legal requirements. We continue to drive and improve our product quality and safety processes throughout our supply chain to minimise the risk of a public product recall. We work with our suppliers to prepare detailed product, component and material specifications and ensure correct materials are chosen and specified. We provide our customers with detailed labelling requirements for their packaging to ensure that consumers have clearly labelled, legally compliant packaging with all relevant warnings and precautions to be taken.
In the normal course of its business the Group transacts in and holds various currencies.	This exposure to foreign currencies means that the Group may suffer a loss (or gain) as their values change.	The directors review and agree a policy for managing this risk and it is summarised in Note 21 to the financial statements.

FINANCIAL REVIEW

Key Performance Indicators

We concluded our business review of the group and the results outlined in 2014 will map out the future strategy, direction, shape, and financial goals of the business over the next three to five years.

To implement our growth strategy effectively, we have set ambitious targets and milestones. We monitor these goals closely to focus our effort and ensure we deliver both in the short term and long term.

To maintain focus on the "Creating for Tomorrow, Delivering for Today" agenda a range of non-financial key performance indicators are monitored at an operational level covering, amongst others, new product development, customer service, quality and health and safety. The Board receives an overview of these on a regular basis.

Financial Key Performance Indicators	2015	2014
Revenue[2]	£49.4m	£49.1m
Revenue (constant currency)[3]	£50.4m	£49.1m
Contribution Margin %[4]	28.8%	28.1%
Adjusted Operating profit[1]	£1.00m	£0.77m
Net debt	£5.4m	£5.1m

1 Adjusted operating profit and adjusted earnings per share are calculated before exceptional items.
2 2014 statutory revenue represents 53 weeks trading, adjusting for the 53 week would reduce reported revenue by £0.94m. Except for revenue, where the relevant adjustment has been shown above, no material changes would be required to the income statement to adjust the 2014 financial year numbers to a 52 week basis.
3 Revenue translated at 2014 exchange rates.
4 Direct contribution margins are defined as net sales less materials, direct labour, and other direct costs.

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Revenue showed growth of 0.6% at £49.4m (2014: 52 weeks £49.1m). The weakness of the euro has reduced sales revenue by £1.1m, offset by a £0.2m gain on the US dollar, so net revenue growth on a constant currency basis would have been 2.6%.

Direct contribution margins - defined as net sales less materials, direct labour, and other direct costs - increased by 0.7 percentage points compared with last year. This reflects cost reduction efforts, the broadening of the customer base, and continued focus on new product development, all mitigating the negative impact of the weakened euro.

The weakened euro has been a considerable headwind in the year, impacting revenue by £1.1m. The net margin impact has been partially mitigated by savings on euro denominated purchases and costs, but the overall adverse profit impact is estimated at £0.4m versus the prior year.

The new product development initiatives outlined above have resulted in a modest level of overhead investment in key personnel and skills to extend our capabilities, as can be seen on the commercial and administration costs.

The previously identified cost savings related to the re-organisation of our Bideford site have been delivered and we continue to focus on further opportunities with several active projects underway.

The Real Shaving Company brand was acquired on 28th May 2015, the purchase price paid comprised cash consideration of £1.0m plus stock on valuation of £0.15m for a total cash consideration of £1.15m. The Acquisition was financed with a new five year term loan of £0.72m with the balance from existing bank facilities, all with HSBC Bank plc.

The net effect is that the Group made an operating profit of £1.00m (2014: £0.77m). Profit before tax increased to £0.81m (2014: £0.14m). The net tax charge reflects the tax charge in the Czech Republic and a tax credit in the UK, resulting in an adjusted earnings per share of 6.6p (2014: 3.9p).

The Group's Chinese strategic investment of a 19% shareholding in Shanghai Colour Cosmetics Technology Company Limited (SCCTC) was re-valued during the year to fair value based on SCCTC's 30 June 2015 net assets (increase of £0.07m to £0.39m). A dividend of £0.02m was received in the year (2014: £0.02m).

The overall effective rate of Group taxation for the year was 8% of pre-tax profits. This represents the current tax payable in the Czech Republic and that in the UK, the taxable profit in the current year utilised the brought forward tax losses.

Net Debt and Cash Flow

Tight control of inventories and cash led to a net debt position of £5.4m, after the outflow of £1.2m on the acquisition of 'The Real Shaving Company' brand. Adjusted for this, net debt of £4.2m compares favourably to the prior year at £5.1m.

Financing costs of £0.20m (2014: £0.28m) comprised interest expense of £0.11m (2014: £0.14m) plus a pension scheme finance charge of £0.09m (2014: charge £0.14m).

Capital expenditure was £1.5m which was £0.4m above depreciation. We anticipated capital expenditure to be higher than depreciation in the financial year ending 30 June 2015 due to the timing of a major aerosol capital project straddling the June 2014 year-end, plus the investment in our cost base optimisation project at Bideford, and the investment in our product development projects. Over a rolling three year cycle we expect capital expenditure to be broadly in line with depreciation and amortisation, although fast payback projects to support incremental new contracts will also be considered.

Dividend

The Board is recommending a final dividend of 2.0 pence for approval at this year's Annual General Meeting being held on 12th November 2015 (2014: Nil). If approved, the final dividend will be paid on 4th December 2015 to shareholders on the register on 13th November 2015. The shares will go ex-dividend on 12th November 2015.

Defined Benefit Pension Scheme

The Group operates a defined benefit scheme. For accounting purposes at 30 June 2015, the Group recognised under IAS19 'employee benefits', a deficit of £2.7m (30 June 2014: £2.2m); The Accounting Standards require the discount rate to be based on yields on high quality (usually AA-rated) corporate bonds of appropriate currency, taking into account the term of the relevant pension scheme's liabilities. Corporate bond indices are used as a proxy to determine the discount rate.

The defined benefit pension scheme underwent its latest triennial valuation as of 5 April 2014. The deficit on a statutory funding basis was £1.3m and Group entered into a revised deficit recovery plan and schedule of contributions in July 2015. The deficit reduction payment will be £108k per annum (previously £111.5k per annum) for ten years, with an increased contribution rate.

Subsequent to finalising the valuation the Group entered in to a formal consultation with the members to close the scheme to future accrual with effect from 31 December 2015.

Accounting Standards

New accounting standards and interpretations adopted are described in the accounting policies.

Going Concern

As part of its normal business practice, the Group prepares annual and longer term plans and, in reviewing this information 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.

"Despite the ongoing challenging market conditions, and the impact of the weaker euro, we have delivered a significant increase in profitability for the full year."

MARK WARREN
GROUP FINANCE DIRECTOR

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PEOPLE AND SUSTAINABILITY

Employment 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.

The 'Building a Better Swallowfield' agenda outlines the key elements of how we want to build a Swallowfield that is an interesting and rewarding place to work, that consistently exceeds the expectations and needs of our customers, and delivers sustained profitable growth for our shareholders. This has provided a framework that clarifies our values, our short, mid and long term priorities and the key measures in place to measure our progress.

The foundation of this agenda is our values. These are the behaviours that we believe are critical to be successful in everything we do, and are as follows:

'Making it happen' - means being action oriented and being accountable for what we have agreed and committed to do with colleagues, customers and suppliers. If something needs doing, let's get it done.

'Making it better' - means a mindset of continuous improvement in everything we do and a challenge to not only identify things that are not working so well, but also to do something about it.

'Making it together' - reminds us that whatever we are trying to make happen or to make better, we are highly unlikely to be able to do it on our own. We will always need the involvement and support of colleagues, customers and suppliers to ensure solutions work best for all concerned.

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Also, within the 'Building a Better Swallowfield' agenda we have set out both a clear set of near term and longer term business priorities and focus areas. The more near term initiatives are set out under the heading of 'Delivering for Today' and the longer term initiatives are set out under the heading of 'Creating for Tomorrow'. The 'Delivering for Today' initiatives have been varied on an annual basis.

All of these elements come together under our 'Building a Better Swallowfield' pyramid, which is used across the business as a visual mnemonic to capture how we want to develop the business.

It is also important that we continue to invest in our people and during the year a number of employees have commenced a further wave of Management and Team Leader training, including Level 3 Advanced Diploma in Management, which is broken down into a Level 3 QCF Certificate in Management and the BTEC Level 3 in Management.

The Group has also continued with production apprentices, alongside our engineering and finance apprenticeship programmes, and operates a sales graduate recruitment programme; we hope to develop these individuals to become our Supervisors and Managers of the future.

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 Group's performance. During the year a number of employee workshops and briefings have taken place to engage employees in the delivery of 'Building a Better Swallowfield'. This has been supported through the all employee reward and recognition scheme and an on-line facility to capture employee suggestions and questions.

Equality and diversity

The Group continues to carefully consider applications for employment by an individual from any background, including disabled persons. The Group's training, development and promotion policies aim to ensure all employment decisions are based on fairness and merit.

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 and customer demands. This important area is covered as part of regular team briefs to all members of staff, and the Group uses a variety of key performance indicators as part of its regular reporting cycle.

The Group is subject to regular external audits associated with both accreditations held and customer requirements, and during the year hosted over fifty separate audits. These include ISO 9001; ISO 14001; ISO 22716 Cosmetics GMP; ISO 13485 Medical Devices; FDA; CLAS; BRC; IFS, Soil Association; FSC; plus a number of Ethical, Environmental and Health & Safety Executive (COMAH) audits.

In 2015 the Group received a gold award rating under the independent Ecovardis Sustainable Supply Management CSR programme covering environment, labour practices, fair business practices and sustainable procurement criteria.

Copies of our Health and Safety, Environmental, and Ethical policies plus current certifications and accreditations are available on the Swallowfield website (www.swallowfield.com).

Ethical trading

In 2006, 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.

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. The Group's Health and Safety System is designed to run parallel to BS 18001.

All Accidents, Incidents and Near Misses are fully investigated to identify root cause and preventive actions are developed and put in place and we continue to increase our focus on near-miss reporting. All the above are afforded a score rating which is assessed each year and monitored through the Group's 'Building a Better Swallowfield' Score Card.

The Group Health and Safety Manager is a chartered 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.

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 2005/6 and uses site based metrics to monitor energy consumption, water usage and CO_2 emissions.

The Group has registered under the UK CRC Energy Efficiency Scheme, and a result of energy saving initiatives has seen consumption reduce by 15% from 5,300 MWh in 2012 to 4,500 MWh in 2015, and currently falls well below the full compliance thresholds outlined under CRC of 6,000 MWh.

The Energy Savings Opportunity Scheme (ESOS) is a mandatory energy assessment and energy saving identification scheme for large undertakings (and their corporate groups). The Group has a mandatory requirement under the ESOS scheme to comply by December 2015 and full site audits were completed during February 2015. The report will further assist the Group in identifying any further savings opportunities remaining.

Levels of dry waste recycling or reuse for 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 2014 our Wellington site received a certificate of compliance from **ECO-cert**.

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

By order of the Board

C. How

M W Warren

Chris How
Chief Executive Officer
21 September 2015

Mark Warren
Group Finance Director

CORPORATE GOVERNANCE

The Group is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment the Group supports the highest standards in corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the principles of good governance set out in the UK Corporate Governance Code, published by the Financial Reporting Council are applied within the company. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Company.

Relations with Shareholders

Communications with shareholders are given high priority. The Chairman's Foreword and Strategic Report on pages 4 to 27 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 final 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 12 November 2015 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.

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 30 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 33 and a statement of going concern on page 21.

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 Group's 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:

- 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 meets a minimum of six times per year to review trading performance, set and monitor strategy, approve matters reserved for decision by the Board and to ensure that adequate funding exists. All Directors are supplied with information in a manner to enable the Board to discharge its duties.

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 Brendan Hynes (Committee Chairman), Roger McDowell and Franklin Berrebi. 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.

Audit Committee

The current members of the Audit Committee are Edward Beale (Committee Chairman), Brendan Hynes, Roger McDowell and Franklin Berrebi. 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. The Group does not have an internal audit function.

Remuneration Committee

The current members of the Remuneration Committee are Roger McDowell (Committee Chairman), Brendan Hynes, Franklin Berrebi and Edward Beale. 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. Terms of reference of the Remuneration Committee are published on the Group's website.

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 has established a new Group Risk Management Register and the Board has procedures in place for regular reviews.

BOARD OF

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BRENDAN M HYNES (55)

MBA, FCMA
Non-Executive Chairman

Brendan joined the Company as Non-Executive Chairman on 1st July 2013. He was CEO of Nichols plc from 2007 to 2013 having previously been Group Finance Director. He has plc main board experience across a range of other sectors including TMT, retail, consumer goods, buildings and automotive. Previous roles have included Executive Director at Knowledge Management Software plc and Group Finance Director at William Baird plc a branded clothing business. He is also currently a non-executive director of Churchill China plc; of a private, online education business "Webexaminer"; and a member of the Criticaleye Advisory Board. Previously he was a Director of the Consumer, Retail and Distribution (CRD) practice of PricewaterhouseCoopers advising Times 100 companies. Brendan chairs the Nomination Committee and is a member of the Audit and Remuneration Committees.

CHRIS HOW (55)

Chief Executive Officer

Chris joined the Company as Chief Executive on 15th July 2013. He has extensive international experience across the personal care and household sector, having held senior General Management and Sales & Marketing positions with PZ Cussons and Colgate Palmolive. Chris has previously been Managing Director PZ Cussons Australia; Regional Director PZ Cussons Europe, Asia, South Pacific; Managing Director PZ Cussons UK; General Manager, Colgate Palmolive Benelux; as well as holding European and UK Sales Director positions within Colgate Palmolive. Chris is a member of the Cosmetics, Toiletries and Perfumery Association (CTPA) executive.

JANE FLETCHER (48)

BSc (Hons)
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.

DIRECTORS

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MARK WARREN (53)
BSc (Hons) FCCA
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 Actavis. Mark is a member of the South West Regional Council of the CBI.

FRANKLIN BERREBI (72)
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 Audit, Remuneration and Nomination Committees.

ROGER MCDOWELL (60)
Independent
Non-Executive Director

Roger was reappointed to the Board in March 2012 having previously served as a Non-Executive Director from July 2011 to January 2012. Roger is an experienced director of 33 years' standing: he led the Oliver Ashworth Group through dramatic growth, main market listing and sale to St. Gobain, following which he was appointed to a number of non-executive roles, including chairmanships in both public and private equity backed businesses. He is currently Chairman of Alkane plc and Avingtrans plc, and is Senior Non-Executive Director of Servelec Group plc. He is also Non-Executive Director of IS Solutions plc, PTSG Group plc, and Proteome Sciences plc. Roger chairs the Remuneration Committee and is a member of the Audit and Nomination Committees.

EDWARD BEALE (54)
Non-Executive Director

Edward joined the Company as a Non-Executive Director on 1 July 2014. Edward is a Chartered Accountant and is the Chief Executive of City Group P.L.C. He is a member, previously chairman, of the Corporate Governance Committee of the Quoted Companies Alliance. He was a member of the Accounting Standards Board of the Financial Reporting Council for six years to 31st August 2013. He is the non-executive chairman of Marshall Monteagle PLC and is a non-executive director of Western Selection P.L.C., Finsbury Food Group Plc, Halogen Holdings P.L.C. and Hartim Limited and some of their subsidiary and associated companies. Edward chairs the Audit Committee and is a member of the Remuneration Committee.

DIRECTORS' REPORT

Directors

The Company's current Directors are listed on page 30, together with their biographical details.

The Directors who served at any time during the year and since the year end were as follows:

B M Hynes
C G How
J M Fletcher
M W Warren
F P Berrebi
R S McDowell
E J Beale (appointed 1 July 2014)

Strategic Report

The Strategic Report set out on pages 6 to 27 provides a fair review of the Group's business for the year ended 30 June 2015. It also explains the objectives and strategy of the Group, its competition and the markets in which it operates, the principal risks and uncertainties it faces, employee information, the Group's financial position, key performance indicators and likely future developments of the business.

Substantial Shareholdings

As at 21 September 2015, the following shareholders had notified the Company that they held an interest in 3% or more of its issued ordinary share capital:

Shareholder	Number of shares	% of issued share capital
Peter Gyllenhammar	3,054,200	27.0
Western Selection PLC	1,869,149	16.5
R & A Persey	1,208,786	10.7
Ruffer LLP	640,000	5.7
J & L Wardell	439,011	3.9
A P & T M Dowsett	399,096	3.5

Save for these interests, the Directors have not been notified that any person is directly or indirectly interested in 3% or more of the issued ordinary share capital of the Company.

General Meeting

This year's Annual General Meeting will be held at the Registered Office, on Thursday 12 November 2015, 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.

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.

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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 32, 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 auditor is 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 auditor is aware of that information.

By Order of the Board

M W Warren

Mark Warren
Group Finance Director and Company Secretary
21 September 2015
Company Number: 01975376

INDEPENDENT AUDITOR'S REPORT

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 2015 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 33. 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/auditscopeukprivate

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 2015 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 Strategic Report and 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.

Norman Armstrong
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton

21 September 2015

Group Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 £'000	2014 £'000
Revenue	2	**49,447**	50,033
Cost of sales		**(43,609)**	(44,859)
Gross profit		**5,838**	5,174
Commercial and administrative costs		**(4,842)**	(4,406)
Operating profit before exceptional items		**996**	768
Exceptional items		**-**	(366)
Operating profit		**996**	402
Finance income	6	**18**	16
Finance costs	7	**(200)**	(278)
Profit before taxation	3	**814**	140
Taxation	8	**(68)**	17
Profit for the year		**746**	157
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit liability		**(316)**	608
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(137)**	(167)
Gain/(Loss) on available for sale financial assets		**68**	(47)
Other comprehensive (loss)/income for the year		**(385)**	394
Total comprehensive income for the year		**361**	551
Profit attributable to:			
Equity shareholders		**746**	157
Total comprehensive income attributable to:			
Equity shareholders		**361**	551
Earnings per share			
- basic	10	**6.6p**	1.4p
- diluted	10	**6.5p**	1.4p
Dividends			
Paid in year (£'000)		**-**	-
Paid in year (pence per share)		**-**	-
Proposed (£'000)		**226**	-
Proposed (pence per share)		**2.0p**	-

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

Financial Statements

Group Statement of Financial Position

AS AT 30 JUNE 2015

	Notes	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**10,743**	10,406
Intangible assets	12	**1,200**	114
Deferred tax assets	21	**378**	275
Investments	13	**390**	322
Total non-current assets		**12,711**	11,117
Current assets			
Inventories	14	**6,493**	7,065
Trade and other receivables	15	**10,839**	12,818
Cash and cash equivalents		**148**	533
Current tax receivable		**-**	232
Total current assets		**17,480**	20,648
Total assets		**30,191**	31,765
LIABILITIES			
Current liabilities			
Trade and other payables	16	**13,823**	16,876
Interest-bearing loans and borrowings	17	**137**	-
Current tax payable		**9**	54
Total current liabilities		**13,969**	16,930
Non-current liabilities			
Interest-bearing loans and borrowings	18	**583**	-
Post-retirement benefit obligations	25	**2,662**	2,212
Deferred tax liabilities	21	**53**	63
Total non-current liabilities		**3,298**	2,275
Total liabilities		**17,267**	19,205
Net assets		**12,924**	12,560
EQUITY			
Share capital	22	**566**	566
Share premium		**3,830**	3,830
Other components of equity		**246**	178
Capital reserve		**-**	-
Exchange reserve		**(452)**	(315)
Pension re-measurement reserve		**(37)**	279
Retained earnings		**8,771**	8,022
Total equity		**12,924**	12,560

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

Approved by the Board on 21 September 2015 and signed on its behalf by

M W Warren

Mark Warren
Group Finance Director and Company Secretary
Company Number: 01975376

Financial Statements

Company Statement of Financial Position

AS AT 30 JUNE 2015

	Notes	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**9,829**	9,751
Intangible assets	12	**1,200**	114
Deferred tax assets	21	**312**	209
Trade and other receivables	15	**-**	-
Investments	13	**3,047**	2,979
Total non-current assets		**14,388**	13,053
Current assets			
Inventories	14	**6,493**	7,065
Trade and other receivables	15	**10,878**	12,660
Cash and cash equivalents		**125**	476
Current tax receivable		**6**	232
Total current assets		**17,502**	20,433
Total assets		**31,890**	33,486
LIABILITIES			
Current liabilities			
Trade and other payables	16	**16,576**	19,481
Interest-bearing loans and borrowings	17	**137**	-
Current tax payable		**-**	-
Total current liabilities		**16,713**	19,481
Non-current liabilities			
Interest-bearing loans and borrowings	18	**583**	-
Post-retirement benefit obligations	25	**2,662**	2,212
Deferred tax liabilities	21	**-**	-
Total non-current liabilities		**3,245**	2,212
Total liabilities		**19,958**	21,693
Net assets		**11,932**	11,793
EQUITY			
Share capital	22	**566**	566
Share premium		**3,830**	3,830
Other components of equity		**246**	178
Capital reserve		**467**	467
Exchange reserve		**-**	-
Pension re-measurement reserve		**(37)**	279
Retained earnings		**6,860**	6,473
Total equity		**11,932**	11,793

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

Approved by the Board on 21 September 2015 and signed on its behalf by

M. W. Warren

Mark Warren

Group Finance Director and Company Secretary

Company Number: 01975376

Group Statement of Changes in Equity

AS AT 30 JUNE 2015

Group	Share Capital £'000	Share Premium £'000	Exchange Reserve £'000	Retained Earnings £'000	Available for Sale Financial Assets £'000	Net defined benefit liability/(asset) £'000	Total Equity £'000
Balance as at 30 June 2014	**566**	**3,830**	**(315)**	**8,022**	**178**	**279**	**12,560**
Dividends	-	-	-	-	-	-	-
Share based payments	-	-	-	3	-	-	3
Transactions with owners	-	-	-	3	-	-	3
Profit/(loss) for the year	-	-	-	746	-	-	746
Other comprehensive income:							
Re-measurement of defined benefit liability	-	-	-	-	-	(316)	(316)
Exchange difference on translating foreign operations	-	-	(137)	-	-	-	(137)
Gain on available for sale financial assets	-	-	-	-	68	-	68
Total comprehensive income for the year	-	-	(137)	746	68	(316)	361
Balance as at 30 June 2015	**566**	**3,830**	**(452)**	**8,771**	**246**	**(37)**	**12,924**

Group	Share Capital £'000	Share Premium £'000	Exchange Reserve £'000	Retained Earnings £'000	Available for Sale Financial Assets £'000	Net defined benefit liability/(asset) £'000	Total Equity £'000
Balance as at 30 June 2013	**566**	**3,830**	**(148)**	**7,865**	**225**	**(329)**	**12,009**
Dividends	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	157	-	-	157
Other comprehensive income:							
Re-measurement of defined benefit liability	-	-	-	-	-	608	608
Exchange difference on translating foreign operations	-	-	(167)	-	-	-	(167)
(Loss) on available for sale financial assets	-	-	-	-	(47)	-	(47)
Total comprehensive income for the year	-	-	(167)	157	(47)	608	551
Balance as at 30 June 2014	**566**	**3,830**	**(315)**	**8,022**	**178**	**279**	**12,560**

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

Company Statement of Changes in Equity

AS AT 30 JUNE 2015

Company	Share Capital £'000	Share Premium £'000	Capital Reserve £'000	Retained Earnings £'000	Available for Sale Financial Assets £'000	Net defined benefit liability/ (asset) £'000	Total Equity £'000
Balance as at 30 June 2014	**566**	**3,830**	**467**	**6,473**	**178**	**279**	**11,793**
Dividends	-	-	-	-	-	-	-
Share based payments	-	-	-	3	-	-	3
Transactions with owners	-	-	-	3	-	-	3
Profit/(loss) for the year	-	-	-	384	-	-	384
Other comprehensive income:							
Re-measurement of defined benefit liability	-	-	-	-	-	(316)	(316)
Gain on available for sale financial assets	-	-	-	-	68	-	68
Total comprehensive income for the year	-	-	-	384	68	(316)	136
Balance as at 30 June 2015	**566**	**3,830**	**467**	**6,860**	**246**	**(37)**	**11,932**

Company	Share Capital £'000	Share Premium £'000	Capital Reserve £'000	Retained Earnings £'000	Available for Sale Financial Assets £'000	Net defined benefit liability/ (asset) £'000	Total Equity £'000
Balance as at 30 June 2013	**566**	**3,830**	**467**	**6,705**	**225**	**(329)**	**11,464**
Dividends	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	(232)	-	-	(232)
Other comprehensive income:							
Re-measurement of defined benefit liability	-	-	-	-	-	608	608
(Loss) on available for sale financial assets	-	-	-	-	(47)	-	(47)
Total comprehensive income for the year	-	-	-	(232)	(47)	608	329
Balance as at 30 June 2014	**566**	**3,830**	**467**	**6,473**	**178**	**279**	**11,793**

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

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2015

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Cash flow from operating activities				
Profit/(loss) before taxation	**814**	140	**366**	(267)
Depreciation	**1,101**	1,306	**946**	1,153
Amortisation	**48**	66	**48**	66
(Profit)/loss on disposal of property, plant and equipment	**-**	(78)	**-**	(78)
Finance income	**(18)**	(16)	**(33)**	(38)
Finance cost	**200**	278	**200**	277
Decrease in inventories	**572**	229	**572**	229
Decrease in trade and other receivables	**2,108**	157	**1,905**	570
(Decrease) in trade and other payables	**(2,249)**	(582)	**(1,783)**	(534)
Contributions to defined benefit plans	**(399)**	(413)	**(399)**	(413)
Current service cost of defined benefit plan	**361**	342	**361**	342
Cash generated from operations	**2,538**	1,429	**2,183**	1,307
Finance expense paid	**(112)**	(138)	**(112)**	(138)
Taxation (refunded)	**(80)**	(42)	**(225)**	(11)
Net cash flow from operating activities	**2,346**	1,249	**1,846**	1,158
Cash flow from investing activities				
Finance income received	**18**	16	**33**	38
Purchase of property, plant and equipment	**(1,543)**	(879)	**(1,286)**	(789)
Purchase of intangible assets	**(1,134)**	(46)	**(1,134)**	(46)
Sale of property, plant and equipment	**-**	250	**262**	250
Net cash flow from investing activities	**(2,659)**	(659)	**(2,125)**	(547)
Cash flow from financing activities				
Proceeds from new loan	**720**	-	**720**	-
(Repayment of) / proceeds from new debt facility	**(792)**	(718)	**(792)**	(718)
Repayment of loans	**-**	(432)	**-**	(432)
Dividends paid	**-**	-	**-**	-
Net cash flow from financing activities	**(72)**	(1,150)	**(72)**	(1,150)
Net (decrease) / increase in cash and cash equivalents	**(385)**	(560)	**(351)**	(539)
Cash and cash equivalents at beginning of year	**533**	1,093	**476**	1,015
Cash and cash equivalents at end of year	**148**	533	**125**	476
Cash and cash equivalents consist of:				
Cash	**148**	533	**125**	476
Cash and cash equivalents at end of year	**148**	533	**125**	476

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 70. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

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. 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 2015 was £0.366m (2014: profit before tax £0.267m).

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2015. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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 3 years.

(ii) Research and development

Expenditure on the research phase of projects to develop new products is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the development
- the development will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Any capitalised development costs that are not yet complete are not amortised but are subject to impairment testing. Complete development projects are amortised on a straight line basis over 5 years.

(iii) Brand names and customer lists

Brand names and customer lists acquired are recognised as intangible assets at their fair values (see note 12).

Customers lists are amortised on a straight line basis over 5 years.

Brand names have an indefinite life and are tested for impairment annually. This is on the basis that the brand is well established and there is no foreseeable limit on the period of time over which it is expected to contribute to cashflow.

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 the profit or loss for the year. 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.

Impairment of assets

An impairment test is performed annually where required and whenever events and circumstances 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.

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 in profit or loss 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. Such exchange differences are recognised in the profit or loss for the year.

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 charged / credited to other comprehensive income and recognised in the 'Exchange reserve' in equity. On disposal of a foreign operation, the cumulative translation differences are reclassified from equity to profit or loss.

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 title of the goods under contractual shipping arrangements 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 profit or loss. Operating lease rental payments are charged to profit or loss as incurred over the term of the lease.

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.

ii) Defined contribution schemes

Costs of defined contribution pension schemes are charged to the profit or loss in the year they fall due.

iii) Share-based Payment Transactions

The value, as at the grant date, of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

For cash-settled share-based payment transactions, the liability needs to be re-measured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the profit or loss.

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 profit or loss.

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 and reported within the available sales reserve within equity. Where fair value cannot be reliably estimated such assets are reviewed for impairment annually. Impairment charges are recognised in profit or loss.

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.

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 profit or loss. 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 profit or loss. 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 profit or loss. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the profit or loss 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.

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.

Exceptional items

Exceptional items to be non-recurring material items which are outside the normal scope of the Group's ordinary activities such as liabilities and costs arising from a fundamental restructuring of the Group's operations.

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 through use.

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:

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 £2.7m (2014 restated: £2.2m) 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 25.

Standards in issue but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Group's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.

NOTE 2 SEGMENTAL ANALYSIS

Management have determined that there is only one operating segment of the group 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 to the Chief Operating Decision Maker 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 and attributable to individual countries based on the location of the customer.

	2015	2014
	£'000	£'000
UK	**30,308**	31,173
Other European Union countries	**16,700**	16,559
Rest of the World	**2,439**	2,301
	49,447	50,033

In the year ended 30 June 2015, the Group had two customers that exceeded 10% of total revenues, being 14% and 11% respectively. In 2015 the Group had non-current assets held overseas of £1,304,000 (2014: £977,000).

NOTE 3 PROFIT / (LOSS) BEFORE TAXATION

	2015	2014
	£'000	£'000
(a) This is stated after charging/ (crediting)		
Depreciation of property, plant and equipment of purchased assets	**1,101**	1,306
Amortisation of intangible assets	**48**	66
Research and development	**810**	845
Foreign exchange losses / (gains)	**79**	(62)
Operating leases:		
Hire of plant and machinery	**73**	95
Rent of buildings	**594**	614
(Gain) / loss on disposal of property, plant and equipment	**-**	(78)
(b) Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company financial statements	**42**	42
Fees payable to the auditors of the subsidiary undertakings	**6**	5
Fees payable to the Company's auditors for other services:		
Other services pursuant to legislation	**20**	6
Other services relating to taxation	**8**	9
(c) Earnings before interest, taxation, depreciation and amortisation ('EBITDA')		
Operating profit / (loss) before exceptional items	**996**	768
Depreciation of property, plant and equipment	**1,101**	1,306
Amortisation of intangible assets	**48**	66
(Gain) / loss on disposal of property, plant, and equipment	**-**	(78)
EBITDA before exceptional operating items	**2,145**	2,062
Exceptional operating items	**-**	(366)
EBITDA after exceptional operating items	**2,145**	1,696

Exceptional items in the prior year related to restructure of the Bideford site. This included £264,000 of accelerated depreciation on fixed asset items and a £92,000 accrual for employee redundancies.

NOTE 4 STAFF COSTS

	2015	2014
	£'000	£'000
Wages and salaries	**10,045**	10,053
Social security costs	**1,038**	1,004
Other pension costs	**740**	560
	11,823	11,617

Included in 2015 total staff costs is an amount of £Nil of exceptional items (2014: £92,000).

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

	2015	2014
	Number	Number
Production	**440**	447
Distribution	**76**	70
Administration	**48**	42
	564	559

Remuneration in respect of Directors was as follows:

	Salary/ Fees	Benefits Contributions	Pension	**Total 2015**	Total 2014
	£'000	£'000	£'000	**£'000**	£'000
Executive Directors					
C G How	172	31	42	**245**	224
J M Fletcher	112	16	13	**141**	135
M W Warren	104	16	36	**156**	151
Non-Executive Directors					
B M Hynes	50	-	-	**50**	50
E J Beale (appointed 1 July 2014)	26	-	-	**26**	-
F P Berrebi	37	-	-	**37**	37
R S McDowell	26	-	-	**26**	29
M J Hagen (resigned 26 February 2014)	-	-	-	**-**	18
	527	63	91	**681**	644

Mr Warren has sacrificed part of his salary in exchange for increased company pension contributions.

Financial Statements

Directors' interest in share based options:

	Number of Shares at 30.06.14	Number of Shares Awarded in year	Number of Shares Lapsed in the year	Number of Shares at 30.06.15	Exercise Price	Earliest Exercise Date	Exercise Expiry Date
J M Fletcher	32,016	-	(32,016)	-			
M W Warren	32,016	-	(32,016)	-			
C G How	-	113,715	-	**113,715**	95.0p	6/12/17	6/12/25
J M Fletcher	-	55,702	-	**55,702**	95.0p	6/12/17	6/12/25
M W Warren	-	55,702	-	**55,702**	95.0p	6/12/17	6/12/25
Total share options	64,032	225,119	(64,032)	**225,119**			
Phantom share options:							
C G How	-	230,875	-	**230,875**	95.0p	6/12/17	6/12/25
J M Fletcher	-	113,093	-	**113,093**	95.0p	6/12/17	6/12/25
M W Warren	-	113,093	-	**113,093**	95.0p	6/12/17	6/12/25
Total phantom	-	457,061	-	**457,061**			

The mid-market price of the ordinary shares on 30 June 2015 was 111.5p (2014: 100.0p) and the range during the 52 week period to 30 June 2015 was 87.0p to 112.5p (2014 53 weeks: 75.0p to 109.5p).

The total number of ordinary shares subject to options and which could, in the future, be issued is 225,119. This represents 1.99% of the current issued share capital of the Company which comprises 11,306,416 Ordinary Shares.

Financial Statements

NOTE 5 SHARE BASED EMPLOYEE REMUNERATION

Executive Share Option Scheme

The Group operates both approved and unapproved share option schemes.

There have been a number of options granted during the course of the financial year to 30 June 2015 with further details given below:

Date of grant	Number of options granted	Exercise price	Fair value £'000	Amount expensed in year-ended 30 June 2015 £'000	Period of expense
5 December 2014 - share options	225,119	95.0p	14	3	4 years
5 December 2014 - phantom share options	457,061	95.0p	-	43	4 years
Charge relating to options granted in the current year				3	
Charge relating to phantoms granted in current year				43	
Charge included in Administration expenses				**46**	

The Company has used the QCA-IRS option valuer TM (based on the Black-Scholes-Merton based option pricing model) to calculate the fair value of the outstanding share options. This model was developed by The QCA partnered with Independent Remuneration Solutions (IRS) and City Group Plc. The development was led by Mr Edward Beale, a Director of the Group and Chief Executive of City Group Plc.

All of the 225,119 new share options and 457,061 phantom share options granted have a performance condition attached to them, linked to certain stretching share price targets ranging from a threshold at £1.80 to the full award at a share price of £2.20; and to the extent that the performance condition is met, have an exercise price of £0.95.

The phantom share options do not result in any dilution. The difference between the share price target achieved and the notional exercise price would become payable in cash. The phantom options are designed to finance the exercise of the share options so that there is no share overhang when the options are exercised.

The performance conditions are as follows:

Share price vesting thresholds	% awarded
Share price below 180p	Nil
Share price 180p	30%
Share price 200p	50%
Share price 210p	75%
Share price 220p	100%

With the percentage of shares vesting pro-rated between these levels.

The inputs into the Black-Scholes-Merton based option pricing model to calculate the charge for share options granted in the financial year were as follows:

	2015	2014
Expected life of option	**3.5 years**	-
Volatility of share price	**22%**	-
Dividend yield	**1.8%**	-
Risk-free interest rate	**1.7%**	-
Share price at date of grant	**95.0p**	-
Exercise price (threshold required to exercise option)	**95.0p**	-
Bid price discount	**3%**	-
Estimated conversion rate	**50%**	-
Fair value per option	**0.06p**	-

Volatility is calculated on a consistent basis for each grant of options and is based on the historic annualised standard deviation of continuously compounded rates of return over the three years preceding the date of award.

Detailed in Note 4 is a summary of awards outstanding at the end of the year.

NOTE 6 FINANCE INCOME

	2015	2014
	£'000	£'000
Other income	**18**	16
Net pension scheme income	**-**	-
	18	16

NOTE 7 FINANCE COSTS

	2015	2014
	£'000	£'000
Bank loans and overdrafts	**112**	138
Net pension scheme costs	**88**	140
	200	278

NOTE 8 TAXATION

	2015	2014
(a) Analysis of tax charge in the year	**£'000**	£'000
UK corporation tax:		
- on profit for the year	**-**	-
- adjustment in respect of previous years	**-**	35
- foreign tax	**91**	94
- double tax relief	**-**	-
Total current tax charge	**91**	129
Deferred tax:		
- current year charge/(credit)	**48**	(76)
- prior year (credit)	**(84)**	(72)
- effect of tax rate change on opening balance	**13**	2
Total deferred tax	**(23)**	(146)
Tax charge	**68**	(17)

(b) Factors affecting total tax charge for the year

The tax assessed on the profit before taxation for the year is lower (2014: lower) than the standard rate of UK corporation tax of 20.75% (2014: 22.56%). The differences are reconciled below:

	2015	2014
	£'000	£'000
Profit before taxation	**814**	140
Tax at the applicable rate of 20.75% (2014: 22.56 %)	**168**	32
Effect of:		
Adjustment in respect of previous years	**-**	35
Adjustment to deferred tax	**(71)**	(72)
Differences between UK and foreign tax rates	**(6)**	(12)
Permanent differences and other	**(2)**	22
R&D tax credit	**(21)**	(22)
Actual tax charge	**68**	(17)

(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.

The Group has estimated UK tax losses of £1.1 million (2014 Restated: £1.6 million) that are available indefinitely for offset against future taxable profits arising from the same trades of the companies in which the losses arose.

NOTE 9 PAYMENTS TO SHAREHOLDERS

	2015	2014
	£'000	£'000
Final dividend paid - 0.0p (2014: 0.0p) per share	**-**	-
Interim dividend paid - 0.0p (2014: 0.0p) per share	**-**	-
	-	-

The Directors have recommended the payment of a final dividend of 2.0p per share (2014: Nil).

NOTE 10 EARNINGS PER SHARE

	2015	2014
Basic and Diluted		
Profit for the year (£'000)	**746**	157
Basic weighted average number of ordinary shares in issue during the year	**11,306,416**	11,306,416
Diluted number of shares	**11,531,535**	11,306,416
Basic earnings per share	**6.6p**	1.4p
Diluted earnings per share	**6.5p**	1.4p

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 2015 and 30 June 2014 respectively. There is a difference at 30 June 2015 between the basic net earnings per share and the diluted net earnings per share of 0.1p due to the 225,119 share options awarded.

	2015	2014
Adjusted earnings per share		
Adjusted Profit for the year (£'000)	**746**	440
Basic weighted average number ofordinary shares in issue during the year	**11,306,416**	11,306,416
Diluted number of shares	**11,531,535**	11,306,416
Basic earnings per share	**6.6p**	3.9p
Diluted earnings per share	**6.5p**	3.9p

In the current year there is no difference between Basic and Adjusted Profit. Adjusted profit for the prior year of £0.44m is shown after adding back £0.28m in respect of exceptional items (exceptional items of £0.36m less notional tax credit of £0.08m on those items). Adjusted earnings per share has been calculated by dividing the adjusted profit of £0.44m by the weighted average number of ordinary shares in issue at 30 June 2014 respectively.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings	Plant and Machinery	Total
Group	**£'000**	**£'000**	**£'000**
Cost:			
At 30 June 2013	7,821	28,003	35,824
Exchange Movements	-	(212)	(212)
Additions	-	879	879
Disposals	-	(481)	(481)
At 30 June 2014	7,821	28,189	36,010
Exchange Movements	-	(216)	(216)
Additions	-	1,543	1,543
Disposals	(127)	(2,352)	(2,479)
At 30 June 2015	**7,694**	**27,164**	**34,858**
Depreciation:			
At 30 June 2013	2,597	22,304	24,901
Exchange Movements	-	(126)	(126)
Provided during the year	119	1,187	1,306
Disposals	-	(477)	(477)
At 30 June 2014	2,716	22,888	25,604
Exchange Movements	-	(111)	(111)
Provided during the year	116	985	1,101
Disposals	(127)	(2,352)	(2,479)
At 30 June 2015	**2,705**	**21,410**	**24,115**
Net book value:			
At 30 June 2015	**4,989**	**5,754**	**10,743**
At 30 June 2014	5,105	5,301	10,406

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).

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:

	2015	2014
Group and Company	**£'000**	£'000
Historical cost	**6,272**	6,272
Accumulated depreciation based on cost	**(2,414)**	(2,298)
Net book value	**3,858**	3,974

	Freehold Land and Buildings	Plant and Machinery	Total
Company	**£'000**	**£'000**	**£'000**
Cost:			
At 30 June 2013	7,821	26,275	34,096
Additions	-	789	789
Transfers to subsidiary	-	-	-
Disposals	-	(481)	(481)
At 30 June 2014	7,821	26,583	34,404
Additions	-	1,286	1,286
Transfers to subsidiary	-	(362)	(362)
Disposals	(127)	(2,317)	(2,444)
At 30 June 2015	**7,694**	**25,190**	**32,884**
Depreciation:			
At 30 June 2013	2,598	21,378	23,976
Provided during the year	119	1,035	1,154
Transfers to subsidiary	-	-	-
Disposals	-	(477)	(477)
At 30 June 2014	2,717	21,936	24,653
Provided during the year	116	830	946
Transfers to subsidiary	-	(100)	(100)
Disposals	(127)	(2,317)	(2,444)
At 30 June 2015	**2,706**	**20,349**	**23,055**
Net book value:			
At 30 June 2015	**4,988**	**4,841**	**9,829**
At 30 June 2014	5,104	4,647	9,751

NOTE 12 INTANGIBLE ASSETS

	Software	Research & Development	Brand Names	Customer Lists	Total
Group and Company	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost:					
At 30 June 2013	818	-	-	-	818
Additions	46	-	-	-	46
Disposals	(16)	-	-	-	(16)
At 30 June 2014	848	-	-	-	848
Additions	35	75	924	100	1,134
Disposals	(35)	-	-	-	(35)
At 30 June 2015	**848**	**75**	**924**	**100**	**1,947**
Amortisation:					
At 30 June 2013	684	-	-	-	684
Provided during the year	66	-	-	-	66
Disposals	(16)	-	-	-	(16)
At 30 June 2014	734	-	-	-	734
Provided during the year	48	-	-	-	-
Disposals	(35)	-	-	-	-
At 30 June 2015	**747**	**-**	**-**	**-**	**-**
Net book value:					
At 30 June 2015	**101**	**75**	**924**	**100**	**1,200**
At 30 June 2014	114	-	-	-	114

Impairment testing

The recoverable amount of the brand was determined based on value-in-use calculations, covering a detailed 10-year forecast, followed by an extrapolation of expected cash flows for the remaining useful life using growth assumptions determined by management. The recoverable amount (Net Present Value) of the brand is £2.1m.

The present value of the expected cash flows is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the brand. The rate applied is 8%.

Growth assumptions

The growth assumptions reflect the specific initiatives planned by management to grow and develop the brand. No general or average growth rate has been applied.

Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors.

Cash flow assumptions

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature sector.

Apart from the considerations in determining the value-in-use of the brand described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. If the discount rate used is increased by 1% the recoverable amount would decrease to £2.0m.

Acquisitions

On 28th May 2015 the Group acquired The Real Shaving Company brand from Creightons plc.

The total cost of the acquisition is allocated to the individual items based on their relative fair values. Transaction costs of £24,000 have been capitalised. The fair value of the assets acquired are categorised within level three of the fair value hierarchy.

The details of the assets acquired are as follows:

	£'000
Fair value of consideration transferred	
Amount settled in cash	**1,150**
Recognised amounts of identifiable net assets	
Intangible assets	1,024
Total non-current assets	**1,024**
Inventories	150
Total current assets	**150**
Identifiable net assets	**1,174**
Consideration transferred settled in cash	(1,150)
Acquisition costs capitalised	(24)
Net cash paid relating to the acquisition	**(1,174)**

NOTE 13 INVESTMENTS

	2015	2014
Group	**£'000**	£'000
Available for Sale Financial Assets		
Cost:		
At 30 June 2014	**322**	369
Revaluation	**68**	(47)
At 30 June 2015	**390**	322

	Available for Sale Financial Assets	Investments in Subsidiaries	2015 Total	2014 Total
Company	**£'000**	**£'000**	**£'000**	£'000
Cost:				
At 30 June 2014	**322**	**6,235**	**6,557**	6,604
Revaluation	**68**	**-**	**68**	(47)
At 30 June 2015	**390**	**6,235**	**6,625**	6,557
Provision for impairment:				
at 1 July 2014 and 30 June 2015	**-**	**(3,578)**	**(3,578)**	(3,578)
Net book value:				
at 30 June 2015	**390**	**2,657**	**3,047**	2,979

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
Bagsy Beauty Limited (formerly Cosmetics Plus Limited)	England	Dormant
Swallowfield Consumer Products Limited	England	Holding
Tru Products Limited	England	Dormant
Mr. Haircare Limited	England	Dormant
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

Mr. Haircare Limited was 100% owned by the Group at 30 June 2015 but post the balance sheet date became 51% following the entering of the joint venture with Jamie Stevens (Media) Limited.

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

The Group has a total shareholding in the Chinese business, Shanghai Colour Cosmetics Technology Company Limited (SCCTC) of 19% that has been designated as available for sale. Available for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and reported within the available sales reserve within equity.

The estimated fair value of the available for sale financial asset is categorised within Level 3 of the fair value hierarchy. The fair value estimate has been determined using SCCTC's 30 June 2015 net assets.

NOTE 14 INVENTORIES

	2015	2014
Group and Company	**£'000**	£'000
Raw materials	**3,456**	3,948
Work in progress	**511**	620
Finished goods and goods for resale	**2,526**	2,497
	6,493	7,065

The Group consumed inventories totalling £34.1m during the year (2014: £35.4m). No items are being carried at fair value less cost to sell (2014: £NIL).

NOTE 15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Trade receivables	**9,834**	11,817	**9,834**	11,817
Amounts owed by Group undertakings	**-**	-	**116**	51
Other receivables	**6**	48	**6**	48
Prepayments and accrued income	**999**	953	**922**	744
	10,839	12,818	**10,878**	12,660
Amounts owed by Group undertakings greater than 1 year	**-**	-	**-**	-

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 to their fair value.

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

	2015	2014
Group and Company	**£'000**	£'000
Balance at 1st July	**-**	-
Impairment loss recognised	**(40)**	-
Amounts recovered	**13**	-
Charged to profit and loss	**27**	-
Balance at 30th June	**-**	-

Ageing of trade receivables:

	2015	2014
Group and Company	**£'000**	£'000
Current	**9,136**	11,278
Overdue but less than 90 days	**645**	494
More than 90 days overdue	**53**	45
	9,834	11,817

Included within the total aged receivable balance of £9,834k (2014: £11,817k) is an amount of £nil (2014: £nil) relating to Group only.

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.

NOTE 16 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Trade payables	**7,520**	9,697	**7,470**	9,639
Amounts owed to subsidiaries	**-**	-	**2,909**	2,767
Other taxes and social security costs	**307**	356	**304**	377
Accruals and deferred income	**1,178**	1,213	**1,075**	1,088
Other payables	**4,818**	5,610	**4,818**	5,610
	13,823	16,876	**16,576**	19,481

The Directors consider that the carrying value of trade and other payables approximates their fair value. The amount due to 'other payables' represents a CID facility that allows a regular drawdown of cash funds in Sterling and foreign currency, and which is secured on the book debts of the Company.

NOTE 17 INTEREST-BEARING LOANS AND BORROWINGS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
Group and Company	**£'000**	£'000
Secured: Loans	**137**	-

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

NOTE 18 INTEREST-BEARING LOANS AND BORROWINGS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015	2014
Group and Company	**£'000**	£'000
Secured: Loans	**583**	-

Loans are repayable by instalments as follows:

	2015	2014
Group and Company	**£'000**	£'000
Between one and two years	**285**	-
Between two and five years	**298**	-
	583	-

The Group's loan facilities are secured by fixed and floating charges over certain of the Group's freehold land and buildings.

NOTE 19 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:

Group	Other		Land & Buildings	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Within one year	**116**	122	**511**	536
In the second to fifth years inclusive	**216**	191	**1,925**	1,376
In over five years	**-**	-	**1,038**	1,120
	332	313	**3,474**	3,032

Company	Other		Land & Buildings	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Within one year	**115**	122	**353**	353
In the second to fifth years inclusive	**210**	191	**1,297**	1,297
In over five years	**-**	-	**801**	1,120
	325	313	**2,451**	2,770

NOTE 20 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, Canadian Dollars, Czech Koruna, and Chinese Renminbi. The purpose of these accounts is to manage the currency transactions arising from the Group's 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 £148,000 (2014: £533,000) which are exposed to floating interest rates based on bank base rates.

A 0.5% increase in bank base rates would reduce pre-tax profits by £25,000 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, Canadian 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 25% of the Group's sales are invoiced in Euros and 14% 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 2015, there were sums totalling £579,000 (2014: £444,000) held in foreign currency bank accounts.

A 5% weakening of sterling would result in a £406,000 increase in reported profits and equity, while a 5% strengthening of sterling would result in a £386,000 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.

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

Group	**30 June 2015**			
	Current		**Non-current**	
	Within 6 months	**6-12 months**	**1-5 years**	**Over 5 years**
	£'000	**£'000**	**£'000**	**£'000**
Bank overdraft and loans	**76**	**76**	**612**	**-**
Trade and other payables	**12,654**	**-**	**-**	**-**
	12,730	**76**	**612**	**-**

Company	**30 June 2015**			
	Current		**Non-current**	
	Within 6 months	**6-12 months**	**1-5 years**	**Over 5 year**
	£'000	**£'000**	**£'000**	**£'000**
Bank overdraft and loans	**76**	**76**	**612**	**-**
Trade and other payables	**12,592**	**-**	**-**	**-**
	12,668	**76**	**612**	**-**

Group	30 June 2014			
	Current		Non-current	
	Within 6 months	6-12 months	1-5 years	Over 5 years
	£'000	£'000	£'000	£'000
Bank overdraft and loans	-	-	-	-
Trade and other payables	15,717	-	-	-
	15,717	-	-	-

Company	30 June 2014			
	Current		Non-current	
	Within 6 months	6-12 months	1-5 years	Over 5 years
	£'000	£'000	£'000	£'000
Bank overdraft and loans	-	-	-	-
Trade and other payables	15,627	-	-	-
	15,627	-	-	-

Working capital

The Group's working capital policy is to fund short-term movements through excess cash generated from the trading business.

The Group had £5.40m (2014: £5.02m) undrawn committed borrowing facilities available at 30 June 2015. The maturity profile of committed bank facilities is regularly reviewed and such facilities are extended or replaced well in advance of their expiry.

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**	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Loans and receivables	**9,988**	12,398	**10,081**	12,392
Available for sale	**390**	322	**390**	322
	10,378	12,720	**10,471**	12,714

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

	Group		**Company**	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Non-current assets:				
Investments	**390**	322	**390**	322
Current assets:				
Trade receivables	**9,834**	11,817	**9,834**	11,817
Other receivables	**6**	48	**6**	48
Intercompany receivables	**-**	-	**116**	51
Cash and cash equivalents	**148**	533	**125**	476
	10,378	12,720	**10,471**	12,714
Non-current assets:				
Intercompany receivables greater than 12 months	**-**	-	**-**	-
	10,378	12,720	**10,471**	12,714

Financial liabilities

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

	Group		**Company**	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Financial liabilities measured at amortised cost	**14,236**	16,520	**16,992**	19,104

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

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Current liabilities:				
Borrowings	**137**	-	**137**	-
Trade payables	**7,520**	9,697	**7,470**	9,639
Intercompany payables		-	**2,909**	2,767
Accruals	**1,178**	1,213	**1,075**	1,088
Other payables	**4,818**	5,610	**4,818**	5,610
Non-current liabilities:				
Borrowings	**583**	-	**583**	-
	14,236	16,520	**16,992**	19,104

NOTE 21 DEFERRED TAX LIABILITIES

The movement in deferred tax provisions is analysed as follows:

Group	**£'000**
Deferred taxation	
At 30 June 2013 (restated)	(225)
Recognised in profit or loss	(148)
Recognised in other comprehensive income	161
Temporary exchange differences	-
At 30 June 2014	(212)
Recognised in profit or loss	(23)
Recognised in other comprehensive income	(84)
Temporary exchange differences	(6)
At 30 June 2015	**(325)**

	2015	2014
	£'000	£'000
Deferred tax is represented by:		
Capital allowances in advance of depreciation	**414**	427
Temporary difference on post retirement benefit obligations	**(532)**	(464)
Other temporary differences	**(207)**	(175)
Temporary exchange differences	**-**	-
	(325)	(212)
Recognised as:		
Deferred tax assets	**(378)**	(275)
Deferred tax liabilities	**53**	63
	(325)	(212)

Company	**£'000**
Deferred taxation	
At 30 June 2013	(297)
Recognised in profit or loss	(73)
Recognised in other comprehensive income	161
At 30 June 2014	(209)
Recognised in profit or loss	(19)
Recognised in other comprehensive income	(84)
At 30 June 2015	**(312)**

	2015	2014
	£'000	£'000
Deferred tax is represented by:		
Capital allowances in advance of depreciation	**414**	364
Temporary difference on post retirement benefit obligations	**(532)**	(464)
Other temporary differences	**(194)**	(109)
	(312)	(209)
Recognised as:		
Deferred tax assets	**(312)**	(209)
Deferred tax liabilities	**-**	-
	(312)	(209)

Provision has not been made for deferred taxation on the full carrying value of the Group's 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.

NOTE 22 SHARE CAPITAL

	2015	2014
	£'000	£'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 2014 and 30 June 2015	**566**	566

The total number of shares in issue at the end of the year was 11,306,416 (2014:11,306,416).

NOTE 23 NOTES TO CASH FLOW STATEMENT

Group	2015	2014
	£'000	£'000
(a) Reconciliation of cash and cash equivalents to movement in net debt:		
(Decrease) in cash and cash equivalents	**(385)**	(560)
Net cash outflow from increase in borrowings	**72**	1,150
Change in net debt	**(313)**	590
Net debt at 1 July 2014	**(5,077)**	(5,667)
Net debt at 30 June 2015	**(5,390)**	(5,077)

	1 July 2014	Cash Flow	Non-Cash Movement	30 June 2015
	£'000	£'000	£'000	**£'000**
(b) Analysis of net debt:				
Cash at bank and in hand	533	(340)	(45)	**148**
Secured debt facility	(5,610)	792	-	**(4,818)**
Borrowings due within one year	-	(137)	-	**(137)**
Borrowings due after one year	-	(583)	-	**(583)**
	(5,077)	(268)	(45)	**(5,390)**

Company	**2015**	2014
	£'000	£'000
(a) Reconciliation of cash and cash equivalents to movement in net debt:		
(Decrease)/Increase in cash and cash equivalents	**(351)**	(539)
Net cash outflow/(inflow) from increase in borrowings	**72**	1,150
Change in net debt	**(279)**	611
Net debt at 30 June 2014	(5,134)	(5,745)
Net debt at 30 June 2015	**(5,413)**	(5,134)

	1 July 2014	**Cash Flow**	**Non-Cash Movement**	**30 June 2015**
	£'000	£'000	£'000	**£'000**
(b) Analysis of net debt:				
Cash at bank and in hand	476	(311)	(40)	**125**
Secured debt facility	(5,610)	792	-	**(4,818)**
Borrowings due within one year	-	(137)	-	**(137)**
Borrowings due after one year	-	(583)	-	**(583)**
	(5,134)	(239)	(40)	**(5,413)**

NOTE 24 CAPITAL COMMITMENTS

	2015	2014
Group and Company	**£'000**	£'000
Contracted for but not provided	**176**	650

NOTE 25 POST RETIREMENT BENEFITS

The Group and Company operates 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 which provides both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service. A full actuarial valuation was carried out as at 5 April 2014 and updated to 30 June 2015 by a qualified independent actuary.

The Group expects to contribute approximately £0.65m to its defined benefit scheme in 2016. This is the cost of twelve months of contributions comprising the deficit reduction payments together with the normal contributions on a continuing basis, so does not reflect any potential impact from the closure of the scheme to future accrual.

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

	2015	2014
Discount rate	**4.10%**	4.40%
Inflation assumption (RPI)	**3.30%**	3.25%
Inflation assumption (CPI)	**2.30%**	2.30%
Rate of increase in salaries	**3.55%**	3.55%
Rate of increase in pensions in payment:		
RPI, max 5% (2013: max 5%)	**3.20%**	3.15%
RPI, max 2.5% (2013: max 2.5%)	**2.25%**	2.25%
CPI, max 3% (2013: max 3%)	**2.05%**	2.05%
Mortality assumptions:		
Life expectancy of male aged 65 now	**21.3**	21.2
Life expectancy of male aged 65 in 20 years	**22.5**	22.6
Life expectancy of female aged 65 now	**23.2**	23.1
Life expectancy of female aged 65 in 20 years	**24.7**	24.6

The assumptions used in determining the overall expected return on the scheme's assets have been set with reference to yields available on government bonds and appropriate risk margins.

(b) The assets in the scheme at the Statement of Financial Position date were as follows:

	2015	2014
	Market Value	Market Value
	£'000	£'000
Equities	**6,683**	6,094
Property	**1,319**	1,178
Index Linked Gilts	**2,155**	1,818
Corporate Bonds	**3,662**	4,233
Diversified Growth Funds	**6,261**	5,005
Other	**228**	382
	20,308	18,710

The actual return on scheme assets was an increase of £1.6m (2014: increase £1.6m).

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.

(c) Amounts recognised in the Statement of Financial Position:

	2015	2014
	£'000	£'000
Present value of funded obligations	**(22,970)**	(20,922)
Fair value of scheme assets	**20,308**	18,710
(Deficit) / Surplus	**(2,662)**	(2,212)
Net liability recognised in the Statement of Financial Position	**(2,662)**	(2,212)

(d) Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	2015	2014
	£'000	£'000
Benefit obligation at beginning of year	**(20,922)**	(19,931)
Movement in the year:		
Current service cost	**(361)**	(342)
Finance cost	**(901)**	(976)
Employee contributions	**(82)**	(86)
Actuarial (losses) / gain - financial	**(1,307)**	(1,519)
Actuarial (losses) / gain - demographic	**14**	539
Actuarial (losses) / gain - experience	**109**	937
Net benefits paid out	**480**	456
Benefit obligation at end of year	**(22,970)**	(20,922)

(e) Reconciliation of opening and closing balance of the fair value of scheme assets:

	2015	2014
	£'000	£'000
Fair value of scheme assets at beginning of year	**18,710**	17,019
Movement in the year:		
Interest on scheme assets	**813**	836
Return on assets, excluding interest income	**784**	812
Contributions - employer	**399**	413
Contributions - employee	**82**	86
Benefits paid out	**(480)**	(456)
Fair value of scheme assets at end of year	**20,308**	18,710

(f) Amounts recognised in profit or loss income are:

	2015	2014
	£'000	£'000
Service cost	**361**	342
Net interest cost	**88**	140
Total expense	**449**	482

(g) The service cost is charged as follows:

	2015	2014
	£'000	£'000
Cost of sales	**265**	245
Commercial and administration	**96**	97
	361	342

(h) Re-measurement of the net defined benefit liability / (asset) to be shown in other comprehensive income

	2015	2014
	£'000	£'000
Net re-measurement - financial	**1,307**	1,519
Net re-measurement - demographic	**(14)**	(539)
Net re-measurement - experience	**(109)**	(937)
Return on assets, excluding interest income	**(784)**	(812)
Total re-measurement of the net defined benefit liability / (asset) to be shown in OCI	**400**	(769)

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

	2015	2014	2013	2012	2011
Statement of Financial Position	**£'000**	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	**(22,970)**	(20,922)	(19,931)	(19,647)	(16,121)
Fair value of scheme assets	**20,308**	18,710	17,019	14,636	14,248
At end of year	**(2,662)**	(2,212)	(2,912)	(5,011)	(1,873)

Characteristics of the Scheme and the risks associated with the Scheme

a) Information about the characteristics the Scheme

i. The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final pensionable salary at the date of leaving the scheme and their length of service.

ii. The Scheme is a registered scheme under UK legislation and is contracted out of the State Second Pension.

iii. The Scheme is subject to the scheme funding requirements outlined in UK legislation. The last scheme funding valuation of the Scheme was as at 5 April 2014 and revealed a deficit of £1,298,000.

iv. The Scheme membership as at 5 April 2014 comprised 128 active members accruing benefits; 171 deferred pensioner members; and 118 pensioner members.

v. The Scheme was established from 1 January 1987 under trust and is governed by the Scheme's trust deed and rules dated 19 January 2001. The Trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy in conjunction with the Employer.

b) Information about the risks of the Scheme to the Employer

The Scheme exposes the Company to actuarial risks such as: market (investment) risk, interest rate risk, inflation risk and longevity risk. The small number of Scheme members means that the Scheme and ultimately the Company are exposed to the experience (such as life expectancy and take-up of member options) of individual members. The Scheme does not expose the Employer to any unusual Scheme specific or Company specific risks.

Amount, timing and uncertainty of future cash flows

a) Sensitivity analysis

Please note that the results in the disclosures are inherently volatile, particularly the figures shown on the statement of financial position. The results disclosures are dependent on the assumptions chosen by the directors.

The table below shows the approximate impact of varying the key assumptions adopted as at 30 June 2015

	30 June 2015
	£'000
Discount rate (increase of 0.25% pa)	Decrease of 1,100
Rate of RPI inflation (increase of 0.25% pa)	Increase of 900
Mortality (1.5% long term rate)	Increase of 600

b) The Scheme's investment strategy

The Scheme's investment strategy is to invest 68% in return seeking and 32% in matching assets. This strategy reflects the Scheme's liability profile and the Trustees' and Employer's attitude to risk.

c) Expected future cash flows to and from the Scheme

The Scheme is subject to the scheme funding requirements outlined in UK legislation. The last scheme funding valuation of the Scheme was as at 5 April 2014 and revealed a funding deficit of £1,298k.

In accordance with the schedule of contributions dated 3 July 2015 the Employer is expected to pay recovery Scheme contributions of £108k per annum from 18 July 2015 in respect of the deficit. Prior to that the Company was paying £111.5k per annum.

In addition, the Employer is expected to meet the cost of administrative expenses and insurance premiums for the Scheme.

The liabilities of the Scheme are based on the current value of expected benefit payment cash flows to members of the Scheme over the next 60 to 80 years. The average duration of the liabilities is approximately 20 years.

NOTE 26 RELATED PARTIES

Compensation of key management personnel (including directors):

	2015	2014
	£'000	£'000
Short term employee benefits	**657**	613
Termination benefits	**-**	-
Post-employment benefits	**91**	87
	748	701

Directors and their Interests

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

	30 June 2015	30 June 2014
	Ordinary Shares	Ordinary Shares
B M Hynes	**50,000**	50,000
C G How	**60,000**	50,000
J M Fletcher	**25,000**	25,000
M W Warren	**22,100**	22,100
F P Berrebi	**-**	-
R S McDowell	**71,000**	71,000
E J Beale (appointed 1 July 2014)	**-**	-

Mr E J Beale is a Director and Chief Executive of City Group PLC and his Director's fees have been surrendered to his primary employer. City Group PLC is 49% owned by Western Selection PLC, who have a beneficial interest in 16.5% of the Company's issued share capital. Fees of £26,000 were paid or are payable for the year ended June 2015.

Mr E J Beale is a Director of Marshall Monteagle plc and during the year the Group sold finished goods to the value of £39,000 (2014: £55,000) to Monteagle International Ltd, a subsidiary of the same company.

In the year to 30 June 2015, Swallowfield plc sold plant and equipment at a net book value of £262,000 (2014: £0) to Swallowfield s.r.o., and also purchased goods and services amounting to £ 1,944,000 (2014: £2,002,000) from the same company.

At the year end the Company had payables due to Swallowfield s.r.o. amounting to £357,000 (2014: £228,000) being disclosed within 'Trade and other payables' (see Note 16). 'Trade and other payables' also includes an amount of £2,494,000 (2014: £2,494,000) in respect of amounts due to dormant subsidiaries (see Note 16).

In the year to 30 June 2015, the Group purchased services amounting to £129,000 (2014: £58,000) from Swallowfield SARL. At the 2015 year end the Company had a balance due from due from Swallowfield SARL amounting to £11,000 (2014: £14,000 due to SARL) being disclosed within 'Trade and other receivables' (see Note 15).

In the year to 30 June 2015, the Group purchased services amounting to £156,000 (2014: £149,000) from Swallowfield Inc. At the 2015 year end the Company had payables due to Swallowfield Inc. amounting to £26,000 (2014: £19,000) being disclosed within 'Trade and other payables' (see Note 16).

In the year to 30 June 2015, the Group purchased finished products for resale amounting to £3,781,000 (2014: £3,272,000) from SCCTC, a Chinese manufacturer of cosmetics products in which the Group holds a 19% shareholding. At the 2015 year end the Group had payables due to SCCTC amounting to £928,000 (2014: £893,000) being disclosed within 'Trade and other payables' (see Note 16).

During the year, Swallowfield plc provided a loan facility to Swallowfield Consumer Products Limited with the balance at the year-end of £105,000 (2014: £51,000) being disclosed within 'Trade and other receivables' (see Note 15). Interest of £15,000 (2014: £22,000) was payable on this loan during the year.

NOTE 27 EVENTS POST STATEMENT OF FINANCIAL POSITION

No significant 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.

Unaudited	**IFRS audited**	IFRS audited	IFRS audited	IFRS audited	IFRS audited
	Financial Year	Financial Year	Financial Year	Financial Year	Financial Year
	2015	2014[1]	2013 (restated)	2012 (restated)	2011
	£'000	£'000	£'000	£'000	£'000
Number of weeks in financial year	**52**	53	52	52	52
Statement of Comprehensive Income					
Reported Revenue	**49,447**	50,033	48,591	57,879	57,452
Adjustment for 53rd week[1]		(943)	-	-	-
Revenue	**49,447**	49,090	48,591	57,879	57,452
Operating profit/(loss) before exceptional items	**996**	768	(449)	1,568	1,409
Exceptional items	**-**	(366)	(491)	-	-
Operating profit/(loss) after exceptional items	**996**	402	(940)	1,568	1,409
Net interest	**(182)**	(262)	(394)	(12)	(80)
Profit/(loss) before taxation	**814**	140	(1,334)	1,556	1,329
Taxation	**(68)**	17	424	(293)	(247)
Profit / (Loss) attributable to equity shareholders	**746**	157	(910)	1,263	1,082
Payments to shareholders	**-**	-	(712)	(712)	(712)
Statement of Financial Position					
Non-current assets	**12,711**	11,117	11,723	12,453	11,718
Net current assets	**3,511**	3,718	3,307	4,668	4,621
Total assets less current liabilities	**16,222**	14,835	15,030	17,121	16,339
Non-current liabilities:					
Loans and lease finance	**(583)**	-	(37)	(433)	(500)
Long term employee benefits	**(2,662)**	(2,212)	(2,912)	(5,011)	(2,356)
Deferred tax	**(53)**	(63)	(72)	(103)	(37)
Equity	**12,924**	12,560	12,009	11,574	13,446
Net debt	**5,390**	5,077	5,667	4,107	4,691
Statistics					
Weighted average number of shares in issue	**11,306,416**	11,306,416	11,306,416	11,306,416	11,306,416
Undiluted earnings / (loss) per share	**6.6p**	1.4p	(8.1p)	11.2p	9.6p
Gearing	**42%**	40%	47%	30%	35%
Dividends per share	**-**	-	2.2p	6.3p	6.3p

[1] Except for revenue, where the relevant adjustment has been shown above, no material changes would be required to the income statement to adjust the 2014 financial year numbers to a 52 week basis.

Corporate Directory

Directors

B M Hynes (Chairman)
C G How (Chief Executive Officer)
J M Fletcher (Group Sales and Marketing Director)
M W Warren (Group Finance Director)
F P Berrebi (Non-Executive Director)
R S McDowell (Non-Executive Director)
E J Beale (Non-Executive Director)

Secretary

M W Warren FCCA

Registered Office

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Stockbrokers

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EC2N 2AX

Registered Number

01975376

Registrars

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Southampton
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Solicitors

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

Bankers

HSBC Bank plc
3 Rivergate
Temple Quay
Bristol
BS1 6ER

Website Address

www.swallowfield.com

Financial Calendar

Annual General Meeting	12 November 2015
Proposed final dividend payment	4 December 2015
Interim results announcement	March 2016
Interim dividend payment	May 2016
Announcement of 2016 final results	September 2016
2016 Annual General Meeting	November 2016