swallowfield

FINAL RESULTS

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# Swallowfield plc

**Swallowfield plc, the full service provider to global brands and leading retailers in the cosmetics, toiletries and household goods sectors, announces its results for the year ended 30 June 2013**

**Highlights**

- Business returned to a break even position in the second half year, but this was not sufficient to recover reported losses in the first half, with an adjusted full year operating loss of £0.50m (2012: profit £1.57m).
- Revenue decreased by 16% to £48.6m (2012: £57.9m) reflecting changes in the sourcing strategy of our top 3 customers.
- Strategy to increase direct export revenue is succeeding. Direct exports have increased by 34% and now represent 35% of revenue.
- Reduced customer dependency and improved risk profile - the top 3 accounts now represent 32% of revenue compared with 52% in the prior year.
- Sales growth of 21% was achieved across the balance of 40+ customers, reflecting strong innovation and contract wins.
- A number of customer wins in the second half will positively impact future performance.
- Strong action taken to reduce the cost base which will underpin future profitability.

**Chris How, Chief Executive commented:**

"It has been a particularly challenging year for the business and its employees. However, with the good work done in the second half on re-aligning our cost base and gaining new business, we have a more solid platform from which to build. A full review of the business is currently in progress and we expect the results of this to push the business forward and improve profitability in the medium and longer term".


| **For further information please contact:** | | |
|---|---|---|
| **Swallowfield plc** | | |
| Chris How | Chief Executive Officer | 01823 662 241 |
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| | | |
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**Notes to Editors:**
Swallowfield plc is a market leader in the development, formulation and supply of cosmetics, toiletries and related household products to the own label and branded sectors. We pride ourselves on being a customer orientated, innovative, flexible and responsive company. We combine high quality, competitive products with strong customer service and develop close partnerships with our customers facilitating an in-depth knowledge of their requirements.

**Chairman's Statement**

Following a difficult first half year, I am pleased to report that as a result of the decisive actions taken, the business has moved back into a break even position in the second half year. Whilst this has not been sufficient to offset the losses incurred in the first half year, it does provide us with some positive momentum as we move into this current fiscal year.

I am further encouraged by the underlying customer and product growth seen in the second half year and the continuing success of our internationalisation strategy, with exports now accounting for 35% of group revenues.

**Results**

| £m unless otherwise stated | 2013 | 2012 |
|---|---|---|
| **Reported Results (before exceptional items [1])** | | |

| | | |
|---|---|---|
| Revenue | 48.6 | 57.9 |
| Operating (loss) / profit [1] | (0.50) | 1.57 |
| Adjusted (loss) / earnings per share [1] | (3.9)p | 11.2p |
| | | |
| **Statutory Results (after exceptional items)** | | |
| Operating (loss) / profit | (0.99) | 1.57 |
| Basic and diluted (loss) / earnings per share | (7.3)p | 11.2p |
| Total Dividend per share | 2.2p | 6.3p |
| Net debt | 5.7 | 4.1 |

[1] Reported operating loss and adjusted earnings per share are calculated before exceptional restructuring costs of £0.49m

**Board Changes**

Following my appointment as non executive Chairman of the Group, effective 1st July 2013, we appointed Chris How as Chief Executive on the 15th July, replacing Ian Mackinnon. Chris 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.

**Business Review**

Following these board changes, we have initiated a business review of the Group, with the objective of improving value generation, cash conversion and shareholder returns. More details will be available at the interim results and this may result in further one off, exceptional costs being incurred in the current fiscal year.

**Dividends**

Whilst the Group has returned to a break even position in the second half year, it reported an overall operating loss for the year. The board therefore will not be proposing a final dividend for approval at this year's Annual General Meeting (2012: 4.1p). The Interim dividend was paid in May 2013 giving an annual dividend of 2.2p (2012: 6.3p) per share.

Looking forward, it is the director's intention to reinstate a dividend once the business returns to profitability.

**Outlook**

Whilst we expect the UK and European economies will remain fragile for at least the next 12 months, we are building momentum with regard to new customer wins, new product launches and realignment of the cost base.

We anticipate the new fiscal year will be one of stabilisation, focus and returning the business back to profitability.

## Directors Report

**Market and Economic Background**

Over the year the economic background in the UK and Europe has remained challenging and this has impacted on the toiletries and cosmetics sector. This has resulted in lower levels of underlying consumer demand, further exacerbated by a strong and prolonged period of promotional activity by a number of major global brands.

Our ongoing effort to develop new customer relationships both in the UK and overseas is becoming increasingly successful and, together with the customer rebalancing discussed above, is creating a more robust customer base for the long-term. Due to the difficult economic background, this transition is taking longer than originally anticipated but is gaining momentum as customers clearly recognize the strengths that we have in terms of flexibility, creativity and product development.

**Business Review**

Revenue decreased by 16% to £48.6m reflecting the higher level of changes in the customer and product mix than is normal, and which was not fully compensated for by new launches.

In the prior year our top 3 customers accounted for 52% of revenue, with the largest customer representing 25%. This year, the same 3 customers account for 32% of revenue, a reduction in revenue of £15m, with the largest customer now 15%. We have driven good levels of net growth with accounts outside of the top 3 customers, with sales to new and existing customers increasing by 21% in the year. This reduced dependency on certain clients and the continuing broadening of the overall customer, geographic and product mix will continue to improve our risk profile but clearly has impacted performance in the short-term.

Our strategy to grow direct exports as a proportion of the overall business is beginning to be successful. Direct exports increased by 34% and now represent 35% of revenue compared with 22% last year.

Direct contribution margins - defined as net sales less materials, direct labour, and other direct costs - have stayed broadly flat compared with the same period last year.

Exceptional restructuring costs of £0.49m were incurred in the period in order to reduce the future ongoing cost base of the group plus compensation for loss of office for the former Chief Executive. The savings generated from these changes and other non personnel related costs have come through as expected in the second half with further full year benefits in the new fiscal year.

The net effect is that the group broke even in the second half resulting in the group incurring a full year operating loss before exceptional items of £0.50m and an unadjusted loss before taxation of £0.99m, resulting in an adjusted (loss) per share of (3.9)p v's earnings per share of 11.2p in the previous year.

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 31 December 2012 net assets. The initial cost of this investment was £0.14m and this is now valued at £0.37m in addition to the £0.09m of dividend income since acquisition. No dividend was declared in the year (2012 £0.03m) as cash was retained in the business to support continued investment.

The overall effective rate of Group taxation recoverable for the year was 32.6% of pre-tax profits. In the UK the tax losses are assumed to be recoverable against future profits. In addition we continue to benefit from the R&D tax credit regime.

**Strategy**

As indicated above we have initiated a full business review that will identify how the group can drive growth and shareholder returns in the future. We expect this review to take a number of months to complete and to eventually map out the future direction, shape, and financial goals of the business over the next 3 to 5 years.

The starting point for this review is a strong 'blue chip' customer base which includes a good mix of high volume 'mass' brands and a number of higher value 'prestige' brands. All of whom demand a high standard of product quality and customer service which the Group has consistently delivered for a long period of time. It is reassuring to note that outside of the reductions on the top 3 accounts that new and existing customers continued to grow healthily.

**Net Debt and Cash Flow**

Net debt increased to £5.7m (2012: £4.1m) reflecting the impact of the trading performance. We have maintained a tight control over working capital whilst accommodating an increase in the number of stock-holding accounts as we have secured new retail customers.

The Group continues to finance its working capital requirements through a multi-currency invoice discounting facility with a limit of £7.5m.

Financing costs of £0.22m (2012: £0.01m) comprised interest expense of £0.17m (2012: £0.15m) plus pension scheme finance charge of £0.05m (2012: income of £0.11m) and other income of £0.0m (2012: £0.03m).

Capital expenditure was £0.8m which was £0.5m below depreciation. We expect capital expenditure to continue to be lower than depreciation in this new year compensating for the above depreciation levels of spend in the prior years.

The asset held for sale relates to a surplus unit in Bideford and that sale completed in August 2013; this will generate a gain on disposal of £83k in the first half of the new year.

Defined Benefit Pension Scheme

The defined benefit pension scheme had its last triennial valuation at 5 April 2011 and a revised schedule of contributions and deficit reduction plan was agreed with the Trustees, and subsequently approved by the Pensions Regulator in April 2013. The Group has increased its deficit contributions and made a number of changes to the scheme, including an increase in member contributions and a reduction in accrual rates.

IAS19 (Revised) came into force for accounting period starting on or after 1 January 2013. Amongst other things this requires all actuarial gains and losses to be recognised immediately on the balance sheet. Additionally, companies will no longer be able to take credit for anticipated investment out-performance above that of high quality corporate bonds. Whilst early adoption was allowed the current year disclosures are based on the original IAS19 and the new rules from IAS 19 (Revised) will be adopted in the next accounting period ended June 2014. This adoption is likely to see an increase in costs as we will no longer be able to take credit for the expected higher returns from assets such as equities. The Directors anticipate that this will impact profits by £0.1m in this new year.

**Group Statement of Comprehensive Income**

For the year ended 30 June 2013

| | Notes | **2013 £'000** | 2012 £'000 |
|---|---|---|---|
| **Revenue** | 5 | **48,591** | 57,879 |
| Cost of sales | | **(44,615)** | (51,772) |
| **Gross profit** | | **3,976** | 6,107 |
| Commercial and administrative costs | | **(4,473)** | (4,539) |
| **Operating (loss)/ profit before exceptional items** | | **(497)** | (1568) |
| Exceptional items | | **(491)** | - |
| **Operating (loss)/profit** | | **(988)** | 1,568 |
| Finance income | | **-** | 143 |
| Finance costs | | **(222)** | (155) |
| **(Loss)/profit before taxation** | 6 | **(1,210)** | 1,556 |
| Taxation | 7 | **395** | (293) |
| **(Loss)/profit for the year** | | **(815)** | 1,263 |
| **Other comprehensive income/(loss):** | | | |
| Exchange differences on translating foreign operations | | **76** | (290) |
| Gain on available for sale financial assets | | **177** | - |
| **Other comprehensive income/(loss) for the year** | | **253** | (290) |
| **Total comprehensive (loss)/income for the year** | | **(562)** | 973 |
| | | | |
| **(Loss)/profit attributable to:** | | | |
| Equity shareholders | | **(815)** | 1,263 |

| | | | |
|---|---|---|---|
| **Total comprehensive (loss)/income attributable to:** | | | |
| Equity shareholders | | **(562)** | 973 |

| | | | |
|---|---|---|---|
| **Earnings per share** | | | |
| - basic and diluted | 8 | **(7.2p)** | 11.2p |
| | | | |
| **Dividend** | | | |
| Paid in year (£'000) | | **712** | 712 |
| Paid in year (pence per share) | | **6.3** | 6.3 |
| Proposed (£'000) | | **-** | 464 |
| Proposed (pence per share) | | **-** | 4.1 |

**Group Statement of Financial Position**
As at 30 June 2013

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **£'000** | £'000 |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **10,923** | 11,405 |
| Intangible assets | **134** | 164 |
| Deferred tax assets | **133** | 18 |
| Trade and other receivables | **-** | - |
| Investments | **369** | 192 |
| **Total non-current assets** | **11,559** | 11,779 |
| **Current assets** | | |
| Inventories | **7,294** | 8,297 |
| Trade and other receivables | **13,131** | 13,629 |
| Cash and cash equivalents | **1,093** | 923 |
| Current tax receivable | **254** | - |
| | **21,772** | 22,849 |
| Assets held for sale | **167** | 167 |
| **Total current assets** | **21,939** | 23,016 |
| **Total assets** | **33,498** | 34,795 |
| | | |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade and other payables | **18,237** | 17,771 |
| Interest-bearing loans and borrowings | **395** | 471 |
| Current tax payable | **-** | 106 |
| **Total current liabilities** | **18,632** | 18,348 |
| **Non-current liabilities** | | |
| Interest-bearing loans and borrowings | **37** | 433 |
| Post-retirement benefit obligations | **2,324** | 2,204 |
| Deferred tax liabilities | **72** | 103 |
| **Total non-current liabilities** | **2,433** | 2,740 |
| **Total liabilities** | **21,065** | 21,088 |
| **Net assets** | **12,433** | 13,707 |
| | | |
| **EQUITY** | | |
| Share capital | **566** | 566 |
| Share premium | **3,830** | 3,830 |
| Other components of equity | **225** | 48 |
| Capital reserve | **-** | - |
| Exchange reserve | **(148)** | (224) |
| Retained earnings | **7,960** | 9,487 |
| **Total equity** | **12,433** | 13,707 |

**Group Statement of Changes in Equity**

As at 30 June 2013

| Group | Share Capital £'000 | Share Premium £'000 | Exchange Reserve £'000 | Retained Earnings £'000 | Available for Sale Financial Assets £'000 | Total Equity £'000 |
|---|---|---|---|---|---|---|
| **Balance as at 1 July 2012** | **566** | **3,830** | **(224)** | **9,487** | **48** | **13,707** |
| Dividends | - | - | - | (712) | - | (712) |
| Transactions with owners | - | - | - | (712) | - | (712) |
| (Loss)/profit for the year | - | - | - | (815) | - | (815) |
| *Other comprehensive income:* | | | | | | |
| Exchange difference on translating foreign operations | - | - | 76 | - | - | 76 |
| Gain on available for sale financial assets | - | - | - | - | 177 | 177 |
| Total comprehensive income for the year | - | - | 76 | (815) | 177 | (562) |
| **Balance as at 30 June 2013** | **566** | **3,830** | **(148)** | **7,960** | **225** | **12,433** |

| Group | Share Capital £'000 | Share Premium £'000 | Exchange Reserve £'000 | Retained Earnings £'000 | Available for Sale Financial Assets £'000 | Total Equity £'000 |
|---|---|---|---|---|---|---|
| **Balance as at 1 July 2011** | **566** | **3,830** | **66** | **8,936** | **48** | **13,446** |
| Dividends | - | - | - | (712) | - | (712) |
| Transactions with owners | - | - | - | (712) | - | (712) |
| Profit for the year | - | - | - | 1,263 | - | 1,263 |
| *Other comprehensive income:* | | | | | | |
| Exchange difference on translating foreign operations | - | - | (290) | - | - | (290) |
| Gain on available for sale financial assets | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | (290) | 1,263 | - | 973 |
| **Balance as at 30 June 2012** | **566** | **3,830** | **(224)** | **9,487** | **48** | **13,707** |

**Group Cash Flow Statement**
For the year ended 30 June 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| (Loss)/profit before taxation | | **(1,210)** | 1,556 |
| Depreciation | | **1,233** | 1,225 |
| Amortisation | | **65** | 51 |
| Loss on disposal of property, plant and equipment | | **2** | 5 |
| Finance income | | **-** | (143) |
| Finance cost | | **222** | 155 |
| Decrease/(increase) in inventories | | **1,003** | 131 |
| Decrease / (increase) in trade and other receivables | | **498** | 121<br>- |
| (Decrease) / Increase in trade and other payables | | **(1,687)** | (190) |
| Contributions to defined benefit plans | | **(380)** | (371) |
| Current service cost of defined benefit plan | | **449** | 333 |
| **Cash generated from operations** | | **195** | 2,873 |
| Finance expense paid | | **(171)** | (155) |
| Taxation paid | | **(84)** | (127) |
| **Net cash flow from operating activities** | | **(60)** | 2,591 |
| **Cash flow from investing activities** | | | |
| Finance income received | | **-** | 29 |
| Purchase of property, plant and equipment | | **(752)** | (1,240) |
| Purchase of intangible assets | | **(36)** | (84) |
| Purchase of available for sale financial assets | | **-** | - |
| Sale of property, plant and equipment | | **-** | - |
| **Net cash flow from investing activities** | | **(788)** | (1,295) |
| **Cash flow from financing activities** | | | |

| | | | |
|---|---|---|---|
| Proceeds from new loans | | **-** | 420 |
| (Repayment of) / proceeds from new debt facility | | **2,202** | (743) |
| Repayment of loans | | **(472)** | (524) |
| Dividends paid | | **(712)** | (712) |
| **Net cash flow from financing activities** | | **1,018** | (1,559) |
| **Net (decrease) / increase in cash and cash equivalents** | 9 | **170** | (263) |
| **Cash and cash equivalents at beginning of year** | | **923** | 1,186 |
| **Cash and cash equivalents at end of year** | | **1,093** | 923 |
| | | | |
| **Cash and cash equivalents consist of:** | | | |
| Cash | | **1,093** | 923 |
| Overdraft | | **-** | - |
| **Cash and cash equivalents at end of year** | | **1,093** | 923 |

**NOTES:**

**1. Statutory Accounts**

The financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006, but has been extracted from the statutory accounts for the year ended 30 June 2013 on which an unqualified audit report has been issued and which will be delivered to the Registrar following their adoption at the Annual General Meeting.

The statutory accounts for the financial year ended 30 June 2012 have been delivered to the Registrar of Companies with an unqualified audit report and did not contain a statement under section 498 of the Companies Act 2006.

Copies of the 2013 Annual Report and Accounts will be posted to shareholders with the notice of the Annual General Meeting. Further copies may be obtained by contacting the Company Secretary at Swallowfield plc, Swallowfield House, Station Road, Wellington, Somerset, TA21 8NL. An electronic copy will be available on the Group's web site (www.swallowfield.com).

**2. 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.

**3. 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.

**4. Accounting Policies**

The principal accounting policies which apply in preparing the financial statements for the year ended 30 June 2013 are consistent with those disclosed in the Group's audited accounts for the year ended 30 June 2012.

**5. 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.

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| UK | **31,768** | 45,284 |
| Other European Union countries | **15,160** | 11,172 |
| Rest of the World | **1,663** | 1,423 |

| | |
|---|---|
| **48,591** | 57,879 |

In the year ended 30 June 2013, the Group had two customers that exceeded 10% of total revenues, being 15% and 13% respectively.

**6. (Loss) / Profit before taxation**

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| **(a) This is stated after charging/ (crediting)** | | |
| Depreciation of property, plant and equipment of purchased assets | **1,233** | 1,225 |
| Amortisation of intangible assets | **65** | 51 |
| Research and development | **847** | 773 |
| Foreign exchange losses / (gains) | **27** | 15 |
| **Operating leases:** | | |
| Hire of plant and machinery | **113** | 106 |
| Rent of buildings | **594** | 562 |
| Loss on disposal of property, plant and equipment | **2** | 5 |
| | | |
| **(b) Auditors' remuneration** | | |
| Fees payable to the Company's auditors for the audit of the Company financial statements | **41** | 38 |
| Fees payable to the auditors of the subsidiary undertakings | **4** | 14 |
| **Fees payable to the Company's auditors for other services:** | | |
| Other services pursuant to legislation | **6** | 6 |
| Other services relating to taxation | **9** | 10 |
| | | |
| **(c) Earnings before interest, taxation, depreciation and amortisation ('EBITDA')** | | |
| Operating (loss)/profit | **(497)** | 1,568 |
| Depreciation of property, plant and equipment | **1,233** | 1,225 |
| Amortisation of intangible assets | **65** | 51 |
| Loss on disposal of property, plant, and equipment | **2** | 5 |
| EBITDA before exceptional operating items | **803** | 2,849 |
| Exceptional operating items | **(491)** | - |
| EBITDA after exceptional operating items | **312** | 2,849 |

**7. Taxation**

| | **2013** | 2012 |
|---|---|---|
| **(a) Analysis of tax charge in the year** | **£'000** | £'000 |
| **UK corporation tax:** | | |
| -on (loss) / profit for the year | **(241)** | 309 |
| -adjustment in respect of previous years | **(63)** | (69) |
| -foreign tax | **84** | 10 |
| -double tax relief | **(12)** | (10) |
| **Total current tax charge** | **(232)** | 240 |
| **Deferred tax:** | | |
| Origination and reversal of temporary differences | | |
| -current year charge / (credit) | **(144)** | 63 |
| -prior year (credit) / charge | **(21)** | (12) |
| -losses utilised in subsidiary | **-** | - |
| -effect of tax rate change on opening balance | **2** | 2 |
| **Total deferred tax** | **(163)** | 53 |
| **Tax charge** | **(395)** | 293 |

**(b) Factors affecting total tax charge for the year**

The tax assessed on the profit before taxation for the year is lower (2012: lower) than the standard rate of UK corporation tax of 23.75% (2012: 25.5%). The differences are reconciled below:

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| (Loss)/profit before taxation | **(1,210)** | 1,556 |
| Tax at the applicable rate of 23.75 % (2012: 25.5%) | **(288)** | 397 |
| **Effect of:** | | |
| Expenses not deductible for tax purposes | **22** | 18 |
| Capital allowances for the year in excess of depreciation | **126** | (11) |
| Other temporary differences | **27** | (53) |
| Deferred tax movement | **(146)** | 65 |

| | | |
|---|---|---|
| Foreign tax not recoverable | **-** | - |
| Adjustment in respect of previous years | **(63)** | (69) |
| Adjustment to deferred tax in previous years | **(21)** | (12) |
| Differences between UK and foreign tax rates | **(17)** | (24) |
| R&D tax credit | **(22)** | (18) |
| Losses brought forward and utilised | **(13)** | - |
| **Actual tax charge** | **(395)** | 293 |

**8. Earnings per share**

| | **2013** | 2012 |
|---|---|---|
| **Basic and Diluted** | | |
| (Loss)/profit for the year (£'000) | **(815)** | 1,263 |
| Basic weighted average number of ordinary shares in issue during the year | **11,306,416** | 11,306,416 |
| Dilutive potential ordinary shares | **-** | - |
| | **11,306,416** | 11,306,416 |
| **Basic earnings per share** | **(7.2p)** | 11.2p |
| **Diluted earnings per share** | **(7.2p)** | 11.2p |

| | **2013** | 2012 |
|---|---|---|
| **Adjusted earnings per share** | | |
| (Loss)/profit for the year (£'000) | **(441)** | 1,263 |
| Basic weighted average number of ordinary shares in issue during the year | **11,306,416** | 11,306,416 |
| Dilutive potential ordinary shares | **-** | - |
| | **11,306,416** | 11,306,416 |
| **Basic earnings per share** | **(3.9p)** | 11.2p |
| **Diluted earnings per share** | **(3.9p)** | 11.2p |

Adjusted loss for the year of £0.44m is shown after adding back £0.37m in respect of exceptional items (exceptional items of £0.49m less notional tax credit of £0.12m on those items).

**9. Note to Cash Flow Statement**

**Group**

**(a) Reconciliation of cash and cash equivalents to movement in net debt:**

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| (Decrease)/ increase in cash and cash equivalents | **170** | (263) |
| Net cash outflow / (inflow) from increase in borrowings | **(1,730)** | 847 |
| Change in net debt | **(1,560)** | 584 |
| Net debt at 1 July 2012 | **(4,107)** | (4,691) |
| Net debt at 30 June 2013 | **(5,667)** | (4,107) |

| **(b) Analysis of net debt:** | 1 July 2012 | Cash Flow | Non-Cash Movement | **30 June 2013** |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | **£'000** |
| Cash at bank and in hand | 923 | 177 | (7) | **1,093** |
| Secured debt facility | (4,126) | (2,202) | - | **(6,328)** |
| Borrowings due within one year | (471) | 76 | - | **(395)** |
| Borrowings due after one year | (433) | 396 | - | **(37)** |
| | (4,107) | (1,553) | (7) | **(5,667)** |

**10. Annual General Meeting**

The Annual General Meeting will be held on Thursday 14 November 2013 at the Company's Registered Office, at 12.00 noon.

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