

FINAL RESULTS

Released : 22/09/15 07:00

RNS Number : 7180Z

Swallowfield PLC

22 September 2015

Swallowfield plc ("Swallowfield" or the "Group") Final Results for the year-ended 30 June 2015

Swallowfield plc, a market leader in the development, formulation, and supply of personal care and beauty products, whose customers include many of the world's leading brands, announces its final results for the year ended 30 June 2015.

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.
- Operating profit increased by 30% in the period to £1.00m (2014: adjusted £0.77m).
- Profit before tax and exceptional items increased by 62% to £0.81m (2014: adjusted £0.50m).
- Earnings per share increased by 69% to 6.6p (2014: adjusted 3.9p).
- Net debt position of £5.4m (2014: £5.1m), after the outflow of £1.2m on the acquisition of 'The Real Shaving Company' brand.
- 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.
- Acquisition and successful integration of 'The Real Shaving Company' brand, which has also developed new sales channels for other Swallowfield owned brand lines.
- First production of innovative new plastic aerosol technology. This innovation represents a world first in its product category and format.
- Cost optimisation project completed as planned at our Bideford site.
- First shipments of premium beauty brand 'Bagsy'.
- Premium male haircare brand 'MR.' to be launched with a national retailer in October.
- Secured two significant contracts with major global brand owners that will contribute to further growth in fiscal 2016 and beyond.

Brendan Hynes, Non-Executive Chairman commented:

"I am delighted to report that we have delivered a significant increase in profitability and are reinstating a proposed final dividend.

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

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

Chris How, Chief Executive commented:

"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. We are particularly pleased to have made our first shipments of our premium beauty brand 'Bagsy' and seen our value brand 'Tru' continue to build its retail presence."

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Chairman's Statement

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.

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.

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 report that follows.

The Group has made good progress on a number of its strategic pillars (Product Category Focus, Cost Base Optimisation, New Product Development, 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.

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 reduce our dependency on certain clients. 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.

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 four strategic pillars of 'Creating for Tomorrow' are:

Product Category Focus

The business has segmented our product categories into '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 double digit

Our drive categories include personal care aerosols; hot pour products (such as lip balms and deodorant sticks); and 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 two significant contracts with major global brand owners that will contribute to further growth in fiscal 2016 and beyond.

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.

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.

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.

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 own 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.

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.

Financial Review

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.

Group Statement of Comprehensive Income

For the year ended 30 June 2015

	Notes	2015 £'000	2014 £'000
Revenue	5	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		18	16
Finance costs		(200)	(278)
Profit before taxation	6	814	140
Taxation	7	(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)

(Loss)/Gain 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
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Total comprehensive income attributable to:

Equity shareholders	361	551
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Earnings per share

- basic	8	6.6p	1.4p
- diluted	8	6.5p	1.4p

Dividends

Paid in year (£'000)	-	-
Paid in year (pence per share)	-	-
Proposed (£'000)	226	-
Proposed (pence per share)	2.0p	-

Group Statement of Financial Position

As at 30 June 2015

	2015	2014
	£'000	£'000
ASSETS		
Non-current assets		
Property, plant and equipment	10,743	10,406
Intangible assets	1,200	114
Deferred tax assets	378	275
Investments	390	322
Total non-current assets	12,711	11,117
Current assets		
Inventories	6,493	7,065
Trade and other receivables	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	13,823	16,876
Interest-bearing loans and borrowings	137	-
Current tax payable	9	54
Total current liabilities	13,969	16,930
Non-current liabilities		
Interest-bearing loans and borrowings	583	-
Post-retirement benefit obligations	2,662	2,212
Deferred tax liabilities	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	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

Group Statement of Changes in Equity

As at 30 June 2015

	Share Capital	Share Premium	Exchange Reserve	Retained Earnings	Available for Sale Financial Assets	Net defined benefit liability /(asset)	Total Equity
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'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
<i>Other comprehensive income:</i>							
Exchange difference on translating foreign operations	-	-	(137)	-	-	-	(137)
Gain on available for sale financial assets	-	-	-	-	68	-	68
Re-measurement of defined benefit liability/(asset)	-	-	-	-	-	(316)	(316)
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

	Share Capital	Share Premium	Exchange Reserve	Retained Earnings	Available for Sale Financial Assets	Net defined benefit liability /(asset)	Total Equity
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'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
<i>Other comprehensive income:</i>							
Exchange difference on translating foreign operations	-	-	(167)	-	-	-	(167)
(Loss) on available for sale financial assets	-	-	-	-	(47)	-	(47)
Re-measurement of defined benefit liability/(asset)	-	-	-	-	-	608	608
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

Cash Flow Statement

For the year ended 30 June 2015

	2015 £'000	2014 £'000
Cash flow from operating activities		
Profit/(loss) before taxation	814	140
Depreciation	1,101	1,306
Amortisation	48	66
(Profit)/loss on disposal of property, plant and equipment	-	(78)
Finance income	(18)	(16)
Finance cost	200	278
Decrease in inventories	572	229
Decrease in trade and other receivables	2,108	157
Decrease in trade and other payables	(2,249)	(582)
Contributions to defined benefit plans	(399)	(413)
Current service cost of defined benefit plan	361	342
Cash generated from operations	2,538	1,429
Finance expense paid	(112)	(138)
Taxation (refunded) / paid	(80)	(42)
Net cash flow from operating activities	2,346	1,249
Cash flow from investing activities		
Finance income received	18	16

Purchase of property, plant and equipment	(1,543)	(879)
Purchase of intangible assets	(1,134)	(46)
Sale of property, plant and equipment	-	250
Net cash flow from investing activities	(2,659)	(659)
Cash flow from financing activities		
Proceeds from new loan	720	-
(Repayment of) / proceeds from new debt facility	(792)	(718)
Repayment of loans	-	(432)
Dividends paid	-	-
Net cash flow from financing activities	(72)	(1,150)
Net (decrease) / increase in cash and cash equivalents	(385)	(560)
Cash and cash equivalents at beginning of year	533	1,093
Cash and cash equivalents at end of year	148	533
Cash and cash equivalents consist of:		
Cash	148	533
Cash and cash equivalents at end of year	148	533

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 2015 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 2014 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 2015 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 2015 are consistent with those disclosed in the Group's audited accounts for the year ended 30 June 2014.

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.

	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.

6. (Loss) / Profit before taxation

	2015 £'000	2014 £'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 (gains) / losses	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	<u>2,145</u>	<u>2,062</u>
Exceptional operating items	-	(366)
EBITDA after exceptional operating items	<u>2,145</u>	<u>1,696</u>

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.

7. Taxation

	2015 £'000	2014 £'000
(a) Analysis of tax charge in the year		
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	<u>91</u>	<u>129</u>
Deferred tax:		
-current year charge / (credit)	48	(76)
-prior year (credit) / charge	(84)	(72)
-effect of tax rate change on opening balance	13	2
Total deferred tax	<u>(23)</u>	<u>(146)</u>
Tax charge	<u>68</u>	<u>(17)</u>

(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 £'000	2014 £'000
Profit/(loss) before taxation	814	140
Tax at the applicable rate of 20.75% (2014: 22.56 %)	<u>168</u>	<u>32</u>
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	<u>68</u>	<u>(17)</u>

8. Earnings per share

2015

2014

Basic and Diluted

(Loss)/profit for the year (£'000)	746	157
Basic weighted average number of ordinary shares in issue during the year	<u>11,306,416</u>	11,306,416
Diluted number of shares	<u>11,531,535</u>	<u>11,306,416</u>
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 (loss) / 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/(loss) for the year (£'000)	746	440
Basic weighted average number of ordinary shares in issue during the year	<u>11,306,416</u>	11,306,416
Diluted number of shares	<u>11,531,535</u>	<u>11,306,416</u>
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.

9. Note to Cash Flow Statement**(a) Reconciliation of cash and cash equivalents to movement in net debt:**

	2015	2014
	£'000	£'000
(Decrease)/ increase in cash and cash equivalents	(385)	(560)
Net cash outflow / (inflow) from increase in borrowings	72	1,150
Change in net debt	<u>(313)</u>	<u>590</u>
Net debt at 1 July 2014	<u>(5,077)</u>	<u>(5,667)</u>
Net debt at 30 June 2015	(5,390)	(5,077)

(b) Analysis of net debt:

	1 July 2014	Cash Flow	Non-Cash Movement	30 June 2015
	£'000	£'000	£'000	£'000
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)
	<u>(5,077)</u>	<u>(268)</u>	<u>(45)</u>	<u>(5,390)</u>

10. Annual General Meeting

The Annual General Meeting will be held on Thursday 12 November 2015 at the Company's Registered Office, at 12.00 noon.

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