FINAL RESULTS

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Swallowfield plc
("Swallowfield" or the "Group")
Final results for the year-ended June 2017

Swallowfield plc, a market leader in the development, formulation, and supply of personal care and beauty products, including its own portfolio of brands, is pleased to announce a strong set of final results for the 52 weeks ended 24 June 2017.

Financial highlights

- Strong revenue growth of +36% (+8% excluding The Brand Architekts acquisition) to £74.3m (2016: £54.5m). Sterling weakness benefited the top-line with revenue growth on a constant currency basis of +31% and +2% respectively.
- Owned brands now represent 24% of revenues.
- Underlying operating profit increased by 180% year on year to £5.6m (2016: £2.0m).
- Adjusted EPS increased by 40% year on year to 17.7 pence (2016: 12.6 pence).
- Net Debt decreased to £3.6m (2016: £4.3m), inclusive of £2.0m additional term-loan funding to support The Brand Architekts acquisition.
- Proposed final dividend of 3.5p per share (2016: 2.3p), in addition to the interim dividend of 1.7p already paid, to give a full year dividend of 5.2p (2016: 3.1p), an increase of 68%.

Operational highlights

- The Brand Architekts acquisition now successfully integrated, delivering strong year on year growth driven by several successful new product launches across all key customers.
- Original Swallowfield brands also showing strong growth and extending retail distribution.
- Manufacturing business performing robustly underpinned by successful launches for global brand owners and new contract wins.
- Further improvements in % contribution margin achieved by growth of owned brands, drive category focus and cost base optimisation, despite raw material and components price increases.
- Strong financial performance allowing investment in brand support and organisational capability whilst still delivering significantly improved profitability.
- E-commerce now live across seven brands, supported by increasing digital marketing activity.

Brendan Hynes, Non-Executive Chairman commented:

"Swallowfield has delivered another very strong performance in the year with revenue, underlying profitability, EPS, and cash generation all showing significant improvements. We continue to make good progress against our clear strategic priorities and the completion of the transformational acquisition of The Brand Architekts during the year will ensure that Swallowfield continues to be well positioned for the future."

Chris How, Chief Executive commented:

"It has been a year of excellent progress for the Group with the successful execution of our stated strategy driving us to record levels of sales and underlying profitability. The acquisition of The Brand Architekts has delivered fully against our expectations and has been integrated smoothly and effectively into the Group. In our manufacturing business, continued focus on innovation, quality and service has enabled it to perform solidly in its own right, as well as provide important support to the growth of our owned brands."

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Chairman's statement

I am delighted to be able to report another year of considerable progress for Swallowfield and one in which we have seen real benefits from consistent focus on the elements of our 'Building a Better Swallowfield' strategy which we first put in place in 2014. Sales, profitability, earnings per share and shareholder value have again increased significantly, through a combination of both organic growth and successful acquisition activity.

Results

£m unless otherwise stated	2017	2016
Reported Results		
Revenue	£74.3m	£54.5m
Adjusted revenue (constant currency) [1]	£70.9m	£54.5m
Underlying operating profit [3]	£5.6m	£2.0m
Adjusted operating profit [2]	£3.9m	£1.8m
Adjusted earnings per share [2]	17.7p	12.6p
Statutory Results		
Revenue	£74.3m	£54.5m
Operating profit	£3.3m	£2.4m
Basic earnings per share	15.2p	17.7p
Total Dividend per share	5.2p	3.1p
Net debt	£3.6m	£4.3m

[1] Revenue translated at 2016 exchange rates
[2] Adjusted operating profit and adjusted earnings per share are calculated before exceptional items and amortisation of acquisition-related intangibles.
[3] Underlying operating profit is calculated by adding back the charge for share-based payments to adjusted operating profit. This measure was adopted as the charge for share-based payments is a material £1.76m (2016: £0.22m), and is intended to provide a more representative reflection of the trading performance of the Group.

Our business comprises two complementary streams and it is pleasing that both have performed well over the course of the year. Our manufacturing business focusses on 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 Drive Category Focus, our offering to those customers 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.

Over the last three years we have developed, both organically and through acquisition, a growing portfolio of brands that are owned and managed by the Group and which we control from formulation through to distribution. The acquisition of The Brand Architekts in June 2016 has significantly accelerated this owned brand segment of our business and brought critical mass to our portfolio. This now represents 24% of Group revenues in the period.

Dividend

Further evidence of our confidence in the business can be seen in the Board's intention to propose a final dividend of 3.5 pence. Together with the interim dividend already paid of 1.7 pence this represents a total dividend for the year of 5.2 pence, an improvement of 68% over the prior year (2016: 3.1p).

It remains the directors' intention to 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.

Board succession

After eight successful years as Group Finance Director, Mark Warren has decided to retire from his full-time executive career and therefore will be stepping down from the Board. Mark has played a significant role in helping the business grow and develop over that period and the Board and his colleagues in the business are grateful for his contribution and wish him continued success in the future.

Advanced notice of Mark's intentions has allowed the Board to engage in a thorough and structured search for his successor and we are pleased to announce that Matthew Gazzard will be succeeding Mark. Matthew has extensive experience in senior financial leadership roles. He served as Group Finance Director for four years at Thatchers Cider during a period of substantial growth for that business where he delivered the financial support required to underpin both the development of the Thatchers brand itself and the company's manufacturing facilities. Prior to that he spent nine years as both Group Finance Director and ultimately CEO of British Ceramic Tiles where he successfully navigated the business through challenging times and to a merger with Ceramic Prints Ltd.

Matthew will join Swallowfield on 2 October 2017 and work alongside Mark until the end of the calendar year to ensure a smooth and thorough handover. Matthew will formally replace Mark on the Board with effect from 1 January 2018.

Outlook

We have delivered another significant improvement in business performance in the year helped by the acquisition of The Brand Architekts and major new product launches in our manufacturing business.

We expect the strong momentum in our branded business to continue, supported by a steady stream of new products, innovation and continued strong support for our brands across our retail customers.

In our manufacturing business, the outlook is solid with a steady flow of new product development (NPD) and new contract wins that will positively impact the year ahead. As indicated previously, this needs to be balanced against the normalisation of volumes on particularly large product launches that bolstered H2 FY16 and H1 FY17 performance.

In line with the industry, both business segments have been challenged by increasing material and packaging costs resulting from the fall in sterling and global inflationary pressures. Our teams have put in place a wide range of programmes to mitigate the impact of these increases and we believe that these measures and our strong overall trading momentum will compensate.

Having successfully integrated The Brand Architekts, we continue to be alert to further acquisition opportunities should they offer the potential to build incremental shareholder value.

Over the course of the year we have strengthened both sides of our business with an improved ability to deliver the innovation, quality and service demanded by our customers. This combined with the progress made on our owned brands, gives us confidence that we are well positioned for the future.

Chief Executive's review

It has been a year of tremendous progress for the Group. Our teams have worked extremely hard to maintain the positive momentum in our manufacturing business and successfully integrate and accelerate the growth of the acquired The Brand Architekts business. Within The Brand Architekts' portfolio it is pleasing to report that all major brands and major customers are showing year on year growth and that the pace and quality of new product launches have continued seamlessly. This is a great credit to the team at Teddington who have proved themselves to be as talented, professional and committed as we had hoped at the time of acquisition.

In the manufacturing business, our ability to support our customer base with the innovation, quality and service they require has enabled us to continue to grow sales and contribution margins against strong prior year comparators and the headwinds of significant raw material and packaging inflation. Our reputation and relationship has been enhanced across several key customers, both longstanding and new, as we have successfully supported a number of critical product launches for them which contributes to current business performance and augurs well for future projects.

Executing our strategy

'Creating for Tomorrow, Delivering for Today'

Our business strategy is to leverage our Group expertise, resources and assets across two complimentary and connected value streams, owned brands and manufacturing. Within each value stream we have three strategic pillars which we believe are the critical focus areas to ensure we continue to grow these businesses in the medium and long term.

Owned brands

Bringing together the product development, production and supply chain expertise of Swallowfield with the proven, creative and dynamic brand management team of The Brand Architekts creates a strong and broad capability within the group to profitably realise market opportunities through development of our owned brand portfolio.

The three strategic pillars that we are focussing on within our owned brands value stream are:

New Product Development (NPD)

Fast paced NPD that quickly identifies and responds to market trends is a core element of The Brand Architekts business model. We are pleased that this responsiveness continues as part of the Swallowfield Group and that retailer appetite remains high. 78 new lines were launched in the course of the financial year across 11 different brands. Of particular note are a range of new beauty accessories launched under a new brand 'Beautopia', a new line of Epsom Salts under the Dr.Salts brand, and a new Retinol Serum in our SuperFacialist range. We are busy on further new ranges to be launched in Autumn 2017.

Progress has also continued on our original Swallowfield brands. The Real Shaving Company has grown strongly in the year thanks in part to the good performance of a new gift range but also the effect of digital marketing activity linked to the sponsorship of Somerset T20 cricket. The Bagsy Savannah Miller collection was launched in the year and has helped us to find new distribution opportunities for the brand. MR, our premium male hair loss brand has seen rate of sale increase even further with the introduction of new packaging for the shampoo, conditioner and styling paste lines and continued innovative and impactful digital marketing activity.

We have also seen very good growth in our range of value brands, such as Tru Shave, aimed at the growing UK value retail sector. We have successfully added new products to our offering and in doing so have extended the number of retail customers to virtually all the major national UK chains in this channel.

On 4 September 2017, we concluded a transaction to acquire a 70% shareholding in Sterling Shave Club Ltd. Over the last two years Sterling has established a presence in the fast-growing on-line subscription shave club sector.

The business is currently at a relatively small scale and our investment is appropriately modest. The entire consideration is to be invested into the business to support a significantly enhanced marketing plan directed at accelerating membership recruitment and expanding the range of products available beyond the current range of blades and shaving products, which currently include our own Real Shaving Company range.

It offers us the opportunity to further develop our knowledge and capabilities in e-commerce which we believe will be critical to the further development of our owned brands business in the years ahead.
As the business will very much be in an 'invest to grow' phase, we expect a broadly neutral impact on group profitability in the current financial year moving to a positive contribution in subsequent years.

Leverage Swallowfield resources

At the time of acquisition of The Brand Architekts, we identified a number of opportunities to either drive revenue growth or create savings by leveraging the existing resources and capabilities of the parent business. We are pleased to have made excellent progress in this regard through the course of the year.

Several Swallowfield developed and produced products are now on shelf including Dirty Works Body Sprays and Happy Naturals footcare products. Many more projects are in progress covering not only new products but also the transfer of some existing products from other suppliers.

Swallowfield had, prior to the acquisition, developed a very competent digital marketing and e-commerce capability and we have been able to utilise these resources to launch digital marketing programmes and e-commerce functionality across Dirty Works, SuperFacialist, Quick Fix Facials, and Kind Natured.

PR and Marketing agencies were consolidated across the portfolio in the course of the year which has led to better quality output at lower cost.

On the Supply side, we are leveraging our materials and packaging sourcing network (including our China purchasing office), our knowledge of best practice production processes, and our expertise in product design and formulation to drive cost improvements across the inherited The Brand Architekts supply base. As part of this programme we have secured significant savings in freight and duty on shipments of gifts and accessories from China by combining our expertise and our buying power.

International expansion

Growth in international revenues has been strong, led in particular by export sales to North America. Across the full portfolio of our brands, international sales now account for 24% of segment sales and we are investing to grow this further still. We have put in place dedicated resource to grow this area and are pleased in the course of the year to have opened new distribution channels for a number of our brands in France, Netherlands, Austria and Chile. Additionally, we are extending the international reach of our Christmas gifting ranges with orders already having been received for USA, Turkey, Ireland and South Africa.

Manufacturing

We have continued to make measurable progress across our three strategic pillars in this segment of our business.

Innovation

Our manufacturing business relies on our ability to bring innovative new products to our customer base which consists of some of the leading global brand owners and retailers in the Personal Care and Beauty sector. In the financial year, we introduced over 200 Swallowfield developed new products, a level of innovation activity that compares favourably to prior year. We were particularly active in haircare and colour cosmetic products with a number of our innovations being taken to market by leading brands. Volumes on our innovative plastic aerosol products continued to grow in the period and during the year we have progressed projects which we expect will lead to the technology being introduced by other customers in the new financial year.

Drive category focus

In the reporting period, we have seen particularly strong growth in Personal Care Aerosols, Cosmetic Pencils, and Premium Liquids. In each case, recently won contracts to support new product launches have been a major contributor, underlining our position as a reliable partner for major global brand owners. The success of our partnership with a major European cosmetics company has supported a project to increase wood pencil capacity and improve cost efficiency at our Bideford site to meet growing demand. Further improvements in capacity and capability have been completed at our Wellington site with particular focus on Personal Care aerosols and Hot Pour products which enabled us to both extend existing contracts and win new ones.

Cost base optimisation

Energy saving improvements continue at the Wellington site and line efficiency programmes continue to contribute to margin improvement across all sites. The investment in pencil automation in Bideford decreases cost per unit and increases capacity. The flexibility of our site footprint has enabled us to accommodate the needs of a major customer who needed to transfer sourcing from a dollar denominated supply chain out of China to a euro-denominated supply chain.

The first wave of products were produced for The Brand Architekts brands in this financial year. This will now be accelerated with significant volumes brought in-house over the next 18 months.

Financial review

Revenue growth has been bolstered by the continuing strong performance of owned brands, in particular, The Brand Architekts' portfolio acquired in June 2016. In the Group's manufacturing business, revenues continued to perform solidly on the back of a stream of innovative new product launches.

Revenue growth was 36% at £74.3m (2016: £54.5m), and 8% excluding the acquisition of The Brand Architekts which completed on 27 June 2016. The weakness of Sterling has increased sales revenue by £3.4m, with £1.8m of this coming from US dollar denominated sales and £1.6m from the Euro, so revenue growth on a constant currency basis would have been 31%, and 2% excluding the acquisition.

The favourable currency impact on revenue has been offset by an equivalent adverse currency impact on cost of goods, reflecting the Group's broadly natural hedge profile. Notwithstanding this impact, contribution margin % has improved, mainly due to the increase of owned brands in our product mix.

The overall re-shaping of the business towards stronger growth and margins has enabled us to deliver a close to three-fold increase in underlying operating profit to £5.6m (2016: £2.0m), at a time when we have also increased investment in organisational capability and brand support.

Underlying operating profit is shown before charges for share-based payments, with a provision made of £1.76m (2016: £0.22m), reflecting the share price appreciation in the year and the impact on the accounting valuation of the phantom shares awarded at the closing share-price of 395p (2016: 180p). The majority of the charge on share-based incentives relates to awards made in 2014 and become exercisable towards the end of 2017. These share options were put in place in order to incentivise the Group's wider management team (including the executive directors of Swallowfield) and to ensure that their interests are aligned with shareholders. At the time, this incentive plan was introduced the average share price was 95p and since that time shareholders have been rewarded with a capital improvement of over 250% in addition to progressive dividend income.

The net effect is that the Group made an adjusted operating profit of £3.9m (2016: £1.8m). Adjusted profit before tax increased to £3.6m (2016: £1.6m).

The exceptional item of £0.34m in the current period relates to "one off" costs incurred in the acquisition of The Brand Architekts Ltd. In 2016 there was an exceptional credit of £0.65m relating to the closure to future accrual of the defined benefit pension scheme.

The overall effective rate of Group taxation for the period was 17.4% (2016: 12.0%) of pre-tax profits. The prior year benefitted from brought-forward UK tax losses which were fully utilised in the last financial year. The current year tax charge reflects standard UK and the Czech Republic rates of taxation.

This results in adjusted earnings per share of 17.7p (2016: 12.7p).

A reconciliation of underlying operating profit to statutory profit before taxation is shown below:

	2017 Total £'000	2016 Total £'000
Underlying profit from operations	**5,617**	2,015

Charge for share-based payments	**(1,755)**	(222)
Adjusted operating profit	**3,862**	1,793
Net borrowing costs	**(217)**	(164)
Adjusted profit before taxation	**3,645**	1,629
Amortisation of acquisition-related intangibles	**(187)**	-
Exceptional (costs) / credit	**(343)**	645
Profit before taxation	**3,115**	2,274

The Group's strategic investment of a 19% shareholding in Shanghai Colour Cosmetics Technology Company Limited (SCCTC) was further re-valued upwards by £0.68m during the period, to fair value based on SCCTC's June 2017 net assets. The initial cost of this investment was £0.14m and this is now valued at £1.24m. This improved valuation reflects a very strong trading performance, supplying customers in Europe and the USA. In addition, a dividend of £0.1m was received in the year (2016: £0.06m).

Net debt and cash flow

Net debt decreased to £3.6m (2016: £4.3m). This includes an additional £2m five-year term loan facility taken out to support the acquisition of The Brand Architekts Ltd. The Group maintains a broadly natural hedge position on the Euro and US Dollar, and manages timing differences through a multi-currency invoice finance facility. At the reporting date, the Group was maintaining a hedged position by holding Euro and US Dollar cash balances, whilst drawing on its GBP facility, resulting in an increased cash position in the statement of financial position of £4.1m (2016: £0.8m) whilst retaining an overall net debt position of £3.6m (2016: £4.3m), note 10 provides an analysis of net debt.

The movement in the components of working capital reflect the impact of the four major product launches in our manufacturing business across the prior June year-end, plus the inclusion of The Brand Architekts working capital components in the closing position.

The increase in tax paid reflects the payment of The Brand Architekts prior-year corporation tax, and the re-introduction of quarterly instalments across the enlarged Group.

Financing costs of £0.31m (2016: £0.22m) comprised interest expense of £0.16m (2016: £0.13m) plus a pension scheme notional finance charge of £0.15m (2016: charge £0.08m).

Capital expenditure was £1.4m which was broadly in line with depreciation. We have made a number of investments to improve line efficiencies and support incremental new customer contracts and have an active capital investment programme planned for the new year.

Defined benefit pension scheme

The defined benefit pension scheme underwent its last triennial valuation as of 5 April 2014. The deficit on a statutory funding basis was £1.3m and the 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. The scheme was subsequently closed to future accrual with effect from 31 December 2015. The latest triennial valuation at April 2017 is in process, and it is expected will be finalised during year-ending June 2018.

For accounting purposes at 24 June 2017, the Group recognised under IAS19 'employee benefits', a deficit of £6.1m (25 June 2016: £4.5m). 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. At the reporting date, the yields on bonds of all types were lower than they were at 25 June 2016. This has resulted in lower discount rates being adopted for accounting purposes compared to last year, which has been coupled with an increase in expectations of long term inflation, with the combination materially increasing the fair value of the scheme liabilities, with the strong investment return performance only partially mitigating. This has translated into an increased liability under the IAS19 methodology.

Dividends

The Board is pleased to announce that it will be proposing a final dividend of 3.5 pence. Together with the interim dividend already paid of 1.7 pence this represents a total dividend for the year of 5.2 pence, an improvement of 68% over the prior year (2016: 3.1p). If approved, the final dividend will be paid on 8 December 2017 to shareholders on the register on 17 November 2017. The shares will be marked as ex-dividend on 16 November 2017.

Group Statement of Comprehensive Income
For the 52 weeks ending 24 June 2017 and 25 June 2016

	Notes	**2017 £'000**	2016 £'000
Revenue	5	**74,314**	54,455
Cost of sales		**(60,404)**	(46,393)
Gross profit		**13,910**	8,062
Commercial and administrative costs		**(10,235)**	(6,269)
Operating profit before exceptional items		**3,675**	1,793
Exceptional items	6	**(343)**	645
Operating profit		**3,332**	2,438
Finance income		**97**	55
Finance costs		**(314)**	(219)
Profit before taxation	7	**3,115**	2,274
Taxation	8	**(543)**	(273)
Profit for the year		**2,572**	2,001
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			

Re-measurement of defined benefit liability		**(1,697)**	(2,160)
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**148**	162
Gain on available for sale financial assets		**675**	170
Other comprehensive (loss) for the year		**(874)**	(1,828)
Total comprehensive income for the year		**1,698**	173
Profit attributable to:			
Equity shareholders		**2,554**	2,001
Non-controlling interests		**18**	-
Total comprehensive income attributable to:			
Equity shareholders		**1,680**	173
Non-controlling interests		**18**	-
Earnings per share			
- basic	9	**15.2**	17.7p
- diluted	9	**14.7**	17.4p
Dividends			
Paid in year (£'000)		**675**	317
Paid in year (pence per share)		**4.0p**	2.8p
Proposed (£'000)		**590**	388
Proposed (pence per share)		**3.5p**	2.3p

Group Statement of Financial Position
For the 52 weeks ending 24 June 2017 and 25 June 2016

	Notes	**2017 £'000**	2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		**11,076**	10,852
Intangible assets		**9,145**	1,167
Deferred tax assets		**1,088**	1,064
Investments		**1,235**	560
Total non-current assets		**22,544**	13,643
Current assets			
Inventories		**11,430**	9,043
Trade and other receivables		**16,345**	15,358
Cash and cash equivalents	10	**4,057**	798
Current tax receivable		**88**	104
Total current assets		**31,920**	25,303
Total assets		**54,464**	38,946
LIABILITIES			
Current liabilities			
Trade and other payables		**23,524**	20,540
Interest-bearing loans and borrowings		**534**	141
Current tax payable		**243**	122
Total current liabilities		**24,301**	20,803
Non-current liabilities			
Interest-bearing loans and borrowings		**1,559**	442
Post-retirement benefit obligations		**6,132**	4,495
Deferred tax liabilities		**407**	414
Total non-current liabilities		**8,098**	5,351
Total liabilities		**32,399**	26,154
Net assets		**22,065**	12,792
EQUITY			
Share capital		**844**	566
Share premium		**11,744**	3,830
Revaluation of investment reserve		**1,091**	416
Exchange reserve		**(142)**	(290)
Pension re-measurement reserve		**(3,894)**	(2,197)
Retained earnings		**12,404**	10,467
Equity attributable to holders of the parent		**22,047**	12,792

Non-controlling interest	**18**	-
Total equity	**22,065**	12,792

Group Statement of Changes in Equity

For the 52 weeks ending 24 June 2017 and 25 June 2016

Group	Share Capital £'000	Share Premium £'000	Revaluation of investment reserve £'000	Exchange Reserve £'000	Pension re-measurement reserve £'000	Retained Earnings £'000	Non-controlling interest £'000	Total Equity £'000
Balance as at June 2016	**566**	**3,830**	**416**	**(290)**	**(2,197)**	**10,467**	**-**	**12,792**
Dividends	-	-	-	-	-	(675)	-	(675)
Issue of new shares	278	7,914	-	-	-	-	-	8,192
Non-controlling interest	-	-	-	-	-	-	18	18
Share based payments	-	-	-	-	-	58	-	58
Transactions with owners	278	7,914	-	-	-	(617)	18	7,593
Profit for the year	-	-	-	-	-	2,554	-	2,554
Other comprehensive income:								
Re-measurement of defined benefit liability	-	-	-	-	(1,697)	-	-	(1,697)
Exchange difference on translating foreign operations	-	-	-	148	-	-	-	148
Gain on available for sale financial assets	-	-	675	-	-	-	-	675
Total comprehensive income for the year	-	-	675	148	(1,697)	2,554	-	1,680
Balance as at June 2017	**844**	**11,744**	**1,091**	**(142)**	**(3,894)**	**12,404**	**18**	**22,065**

Group	Share Capital £'000	Share Premium £'000	Revaluation of investment reserve £'000	Exchange Reserve £'000	Pension re-measurement reserve £'000	Retained Earnings £'000	Non-controlling interest £'000	Total Equity £'000
Balance as at June 2015	**566**	**3,830**	**246**	**(452)**	**(37)**	**8,771**	**-**	**12,924**
Dividends	-	-	-	-	-	(317)	-	(317)
Share based payments	-	-	-	-	-	12	-	12
Transactions with owners	-	-	-	-	-	(305)	-	(305)
Profit for the year	-	-	-	-	-	2,001	-	2,001
Other comprehensive income:								
Re-measurement of defined benefit liability	-	-	-	-	(2,160)	-	-	(2,160)
Exchange difference on translating foreign operations	-	-	-	162	-	-	-	162
Gain on available for sale financial assets	-	-	170	-	-	-	-	170
Total comprehensive income for the year	-	-	170	162	(2,160)	2,001	-	173
Balance as at June 2016	**566**	**3,830**	**416**	**(290)**	**(2,197)**	**10,467**	**-**	**12,792**

Cash Flow Statement

For the 52 weeks ending 24 June 2017 and 25 June 2016

	Group **2017 £'000**	2016 £'000
Cash flow from operating activities		
Profit before taxation	**3,115**	2,274
Depreciation	**1,249**	1,152
Amortisation	**239**	67
Loss on disposal of property, plant and equipment	**-**	41
Non-cash pension scheme curtailment gain	**-**	(870)
Finance income	**(97)**	(55)
Finance cost	**314**	219
(Increase)/Decrease in inventories	**(2,387)**	(2,550)
(Increase)/Decrease in trade and other receivables	**(995)**	(4,956)
Increase/(Decrease) in trade and other payables	**2,074**	7,152

Increase in share-based payments provision	**1,755**	222
Contributions to defined benefit plans	**(108)**	(321)
Current service cost of defined benefit plan	**-**	305
Cash generated from operations	**5,159**	2,680
Finance expense paid	**(165)**	(134)
Taxation paid	**(1,142)**	(10)
Net cash flow from operating activities	**3,852**	2,536
Cash flow from investing activities		
Dividend income received	**97**	55
Purchase of property, plant and equipment	**(1,367)**	(1,181)
Purchase of intangible assets	**(8)**	(34)
Purchase of subsidiary	**(9,401)**	-
Net cash flow from investing activities	**(10,679)**	(1,160)
Cash flow from financing activities		
Proceeds / (repayment) on invoice discounting facility	**1,059**	(272)
Proceeds from new loan	**2,000**	-
Issue of new share capital	**8,192**	-
(Repayment) of loans	**(490)**	(137)
Finance income received	**-**	-
Dividends paid	**(675)**	(317)
Net cash flow from financing activities	**10,086**	(726)
Net increase in cash and cash equivalents	**3,259**	650
Cash and cash equivalents at beginning of year	**798**	148
Cash and cash equivalents at end of year	**4,057**	798

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 June 2017 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 June 2016 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 2017 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 24 June 2017 are consistent with those disclosed in the Group's audited accounts for the year ended 25 June 2016.

5. Segmental Analysis

The Group is a market leader in the development, formulation, and supply of personal care and beauty products.

The reportable segments of the Group are aggregated as follows:

- Brands - we leverage our skilled resources to develop and market a growing portfolio of Swallowfield owned and managed brands. These include organically developed Bagsy, MR. and Tru, plus the acquisitions of The Real Shaving Company (in 2015) and the portfolio of brands included in The Brand Architekts acquisition, acquired at the start of this financial year. This latter acquisition brings critical mass to our owned brands and has therefore changed the segmental analysis for this year.

- Manufacturing - the development, formulation and production of quality products for many of the world's leading personal care and beauty brands.

- Eliminations and Central Costs. Other Group-wide activities and expenses, including defined benefit pension costs (closed defined benefit scheme), share-based payment expenses, amortisation of acquisition-related intangibles, interest, taxation and eliminations of intersegment items, are presented within 'Eliminations and central costs'.

This is the basis on which the Group presents its operating results to the Directors, which is considered to be the Chief Operating Decision Maker (CODM) for the purposes of IFRS 8.

No comparative figures are shown as it is only since the acquisition of The Brand Architekts that this segmentation has been adopted. Prior to this brand performance was not considered to be sufficiently material to be separately reported. Comparative full year numbers have been presented on the same basis.

a) Principal measures of profit and loss - Income Statement segmental information:

52 weeks ended 24 June 2017	**Brands** £'000	**Manufacturing** £'000	**Eliminations and Central Costs** £'000	**Total** **£'000**	2016 Total £'000
UK revenue	13,630	31,102	-	**44,732**	31,868
International revenue	4,276	25,306	-	**29,582**	22,587
Revenue - External	17,906	56,408	-	**74,314**	54,455
Revenue - Internal	-	1,572	(1,572)	-	-
Total revenue	**17,906**	**57,980**	**(1,572)**	**74,314**	54.455
Underlying profit/(loss) from operations	**2,910**	**4,822**	**(2,115)**	**5,617**	2,015
Charge for share-based payments	-	-	(1,755)	**(1,755)**	(222)
Amortisation of acquisition-related intangibles	-	-	(187)	**(187)**	-
Exceptional costs	-	-	(343)	**(343)**	645
Net borrowing costs	-	-	(217)	**(217)**	(164)
Profit/(loss) before taxation	**2,910**	**4,822**	**(4,617)**	**3,115**	2,274
Tax charge			(543)	**(543)**	(273)
Profit/(loss) for the period	**2,910**	**4,822**	**(5,160)**	**2,572**	2,001

The segmental Income Statement disclosures are measured in accordance with the Group's accounting policies as set out in note 4.

Inter segment revenue earned by manufacturing from sales to brands is determined on normal commercial trading terms as if brands were any other third-party customer.

All defined benefit pension costs and share-based payment expenses are recognised for internal reporting to the CODM as part of Group-wide activities and are included within 'Eliminations and central costs' above. Other costs, such as Group insurance and auditors' remuneration which are incurred on a Group-wide basis are recharged by the head office to segments on a reasonable and consistent basis for all periods presented, and are included within segment results above.

b) Other Income Statement segmental information

The following additional items are included in the measures of underlying profit and loss reported to the CODM and are included within (a) above:

52 weeks ended 24 June 2017	**Brands** £'000	**Manufacturing** £'000	**Eliminations and Central Costs** £'000	**Total** £'000
Depreciation	22	1,227	-	1,249
Amortisation	-	52	-	52

c) Principal measures of assets and liabilities

The Groups assets and liabilities are managed centrally by the CODM and consequently there is no reconciliation between the Group's assets per the statement of financial position and the segment assets.

d) Additional entity-wide disclosures

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

Geographical segments	**52 weeks ended 24 June 2017** **£'000**	52 weeks ended 25 June 2016 £'000
UK	**44,732**	31,868
Other European Union countries	**23,012**	20,577
Rest of the World	**6,570**	2,010
	74,314	54,455

In the 52 weeks ended 24 June 2017, the Group had two customers that exceeded 10% of total revenues, being 13.0% and 11.5% respectively. In the 52 weeks ended 25 June 2016, the Group had two customers that exceeded 10% of total revenues, this being 18% and 19% respectively.

6. Exceptional items

Under exceptional Items we have recognised costs associated with The Brand Architekts acquisition which completed on 27 June 2016. The prior year exceptional item is a non-cash curtailment gain arising from the closure of the company's Defined Benefit pension scheme to further accrual.

7. Profit before taxation

	2017	2016
	£'000	£'000
(a) This is stated after charging/ (crediting)		
Depreciation of property, plant and equipment of purchased assets	1,249	1,152
Amortisation of intangible assets	239	67
Research and development	1,049	920
Foreign exchange losses	104	49
Operating leases:		
Hire of plant and machinery	58	73
Rent of buildings	646	552
Loss on disposal of property, plant and equipment	-	41
(b) Auditors' remuneration		
Audit services:		
Audit of the Company financial statements	42	42
Audit of subsidiary undertakings	23	6
Audit related assurance services:		
Interim review	7	7
Taxation compliance services:		
Corporation tax compliance	13	8
Other assurance services:		
iXBRL tagging	3	2
Merger and acquisition advice	5	-
Services relating to corporate finance transactions:		
Acquisition of The Brand Architekts Limited	81	-
(c) Earnings before interest, taxation, depreciation and amortisation ('EBITDA')		
Operating profit before exceptional items	3,675	1,793
Depreciation of property, plant and equipment	1,249	1,152
Amortisation of intangible assets	52	67
Amortisation of acquisition-related intangibles	187	-
Loss on disposal of property, plant, and equipment	-	41
EBITDA before exceptional operating items	5,163	3,053
Exceptional operating items	(343)	645
EBITDA after exceptional operating items	4,820	3,698

8. Taxation

	2017	2016
(a) Analysis of tax charge in the year	£'000	£'000
UK corporation tax:		
- on profit for the year	718	116
- adjustment in respect of previous years	(69)	-
-foreign tax	10	16
Total current tax charge	659	132
Deferred tax:		
-current year (credit) / charge	(37)	138
-prior year (credit)	(102)	(19)
-effect of tax rate change on opening balance	23	22
Total deferred tax	(116)	141
Tax charge	543	273

(b) Factors affecting total tax charge for the year

The tax assessed on the profit before taxation for the year is lower (2016: lower) than the standard rate of UK corporation tax of 19.75% (2016: 20%). The differences are reconciled below:

	2017	2016
	£'000	£'000
Profit before taxation	3,115	2,274
Tax at the applicable rate of 19.75% (2016: 20%)	615	455
Effect of:		
Adjustment in respect of previous years	(149)	(19)
Adjustment to deferred tax	6	(147)
Differences between UK and foreign tax rates	12	4

	2017	2016
Permanent differences and other	**79**	-
R&D tax credit	**(20)**	(20)
Actual tax charge	**543**	273

9. Earnings per share

	2017	2016
Basic and Diluted		
Profit for the year (£'000)	**2,554**	2,001
Basic weighted average number of ordinary shares in issue during the year	**16,834,773**	11,306,416
Diluted number of shares	**17,382,702**	11,531,535
Basic earnings per share	**15.2p**	17.7p
Diluted earnings per share	**14.7p**	17.4p

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 24 June 2017 and 25 June 2016 respectively. There is a difference at June 2017 between the basic net earnings per share and the diluted net earnings per share of 0.5p due to the 547,929 share options awarded.

	2017	2016
Adjusted earnings per share		
Adjusted Profit for the year (£'000)	**2,979**	1,430
Basic weighted average number of ordinary shares in issue during the year	**16,834,773**	11,306,416
Diluted number of shares	**17,382,703**	11,531,535
Basic earnings per share	**17.7p**	12.6p
Diluted earnings per share	**17.1p**	12.4p

Adjusted profit for the current year of £2.98m is shown after adding back Exceptional Items of £0.34m and Amortisation of Acquisition Related Intangibles of £0.19m, and then deducting a notional tax charge of £0.10m. Adjusted earnings per share has been calculated by dividing the adjusted profit of £2.98m by the weighted average number of ordinary shares in issue at 24 June 2017 respectively. The 2016 comparative figures have also been adjusted to a comparable basis.

10. Note to Cash Flow Statement

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

	2017 £'000	2016 £'000
Increase in cash and cash equivalents	**3,259**	650
Net cash (inflow) /outflow from (increase) / decrease in borrowings	**(2,569)**	409
Change in net debt	**690**	1,059
Opening net debt	**(4,331)**	(5,390)
Closing net debt	**(3,641)**	(4,331)

(b) Analysis of net debt:	Closing 2016 £'000	Cash Flow £'000	Non-Cash Movement £'000	**Closing** **2017** **£'000**
Cash at bank and in hand	798	3,199	60	**4,057**
Secured debt facility	(4,546)	(1,059)	-	**(5,605)**
Borrowings due within one year	(141)	(393)	-	**(534)**
Borrowings due after one year	(442)	(1,117)	-	**(1,559)**
	(4,331)	630	60	**(3,641)**

11. Annual General Meeting
The Annual General Meeting will be held on Thursday 9 November 2017 at the Company's Registered Office, at 12.00 noon.

Regulatory disclosures

In accordance with Schedule 2(g) of the AIM Rules, Matthew Gazzard (aged 46) holds or has held in the past 5 years the following directorships and partnerships:

Current	**Past five years**
Avalon Camps 2017 Limited	Thatchers Cider Company Ltd
	MPG Books Group Ltd

MPG Books Group Ltd was placed in administration in June 2013. A dividend of 11 pence in the pound was paid to preferential creditors. Unsecured creditors were paid nil pence in the pound. HSBC recovered £496,000 out of a total of £901,000 owed. Lloyds Commercial Finance recovered £2m (the whole of their debt). The company was the subject of a compulsory strike off on 25 February 2014.

Save for the disclosures above, there are no further disclosures to be made in accordance with Rule 17 and Schedule 2(g) of the AIM Rules.

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