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success

swallowfield 

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INTERIM REPORT 2011



# interim results

Swallowfield plc, the full service provider to global brands and leading retailers in the cosmetics, toiletries and household goods sector, announces its interim results for the 28 weeks ended 8 January 2011.

## HIGHLIGHTS

- Revenue up 7.4% to £31.3m (2010: £29.1m)
- Profit after tax down 2.6% to £0.5m (2010: £0.5m)
- Interim dividend per share 2.2p (2010: 2.2p)
- Earnings per share 4.6p (2010: 4.7p)
- Net debt £2.5m (2010: £2.2m) a reduction from last year end position of £4.3m
- Direct international revenue growth of 23.4%
- Total overheads 23.5% of revenue (2010: 25.3%)

## OUTLOOK

- Future revenue growth underpinned by a strong order book
- Medium-term revenue growth from new product launches planned for the coming year
- Continued focus on working capital management during a period of growth
- Positive global picture whilst UK and Europe remains under pressure
- Continuation of the widening of geographic spread and development of new client relationships
- Expectations for the full year remain broadly unchanged

# chief executive's statement

**Ian Mackinnon, Chief Executive commented:**

"As expected, the UK market has been particularly challenging during the last six months. In addition to a relatively weak consumer picture, we have, in line with others in the industry, been affected by significant increases in the costs of raw materials and components. We have worked determinedly to reduce the impact on our profitability by passing on these increases wherever possible and by winning new business.

We have driven revenue growth in the business in spite of the difficult market background and expect new product launches in the coming months to continue this trend.

In addition to increasing revenue, tight cost control remains an important part of our strategy for continuously improving shareholder value. Total overheads were 23.5% of sales - a significant improvement over the 25.3% reported for the same period last year despite the inflationary background.

We remain positive about global demand whilst remaining cautious about the UK consumer picture which we do not expect to significantly improve for the next couple of years.

Overall, our expectations for the 2011 financial year remain cautiously positive and broadly in line with those communicated six months ago."

## MARKET AND ECONOMIC BACKGROUND

The personal care market appears to have held up reasonably well in volume terms over the last six months helped by the continuation of promotional activity by the brands as we described during our last report. The move to reduce our dependency on own-label to a more balanced position between the branded and own-label sectors has so far been the right decision - there is little evidence in the UK of own-label growing at the expense of the branded sector.

A number of businesses within the industry have recently reported a tougher than expected situation primarily due to rapid increases in input costs. These input cost increases, together with the tough stance being taken by retailers and consumers, is having the inevitable effect of squeezing margins.

Apart from selected instances, the de-stocking witnessed in recent years now appears to be over, but the UK consumer has now begun to feel the impact of decreases in Government expenditure and increases in taxation. We expect this impact to continue to have a negative influence for another couple of years. As described in September 2010, we are more positive about Global demand and believe this can still provide genuine growth opportunities for us.

## BUSINESS REVIEW

Revenue increased by 7.4% to £31.3m with much of the growth coming from customers outside of the UK. UK revenue increased by 4.2%, which includes product consumed overseas, and our direct revenue from customers outside of the UK has increased by 23.4%. This is an early indication that our efforts to expand the business

outside of the UK can be successful although we recognise the need to keep up the momentum.

Earnings per share was 4.6p (2010: 4.7p) reflecting the difficult trading conditions. Some supply issues have been resolved but we continue to be hampered by excessively long lead times throughout the industry and some delays from suppliers.

In our last report we stated that we believed the cost increases being experienced would be one-off movements in price rather than a more general inflationary cycle. We have witnessed a further round of increases during the last six months and again hope that this will not lead to a general inflationary upsurge.

## NET DEBT AND CASH FLOW

Net debt decreased from a year-end position of £4.3m to £2.5m (2010: £2.2m) as we reduced inventory levels by £1.5m and tightened our management of working capital. This improvement comes despite a limited extension in customer payment terms that we anticipated in the last report.

Net financing costs of £0.07m (2010: £0.10m) comprised interest expense of £0.08m (2010: £0.06m) and pension scheme finance income £0.01m (2010: charge of £0.04m).

Capital expenditure was £0.7m which was £0.1m above depreciation. We expect an increase in capital expenditure as items deferred from 2010, such as the new manufacturing room, are paid for in the coming months. We still expect capital expenditure to be broadly in line with depreciation and amortisation over a three year cycle.

The tax charge reflects the blend of the standard UK and Czech rates.

## CHINA

Our business in China continues to perform well. Preliminary results for the year-ended 31 December 2010 indicate that our original stake of 10% should provide a dividend of £0.03m in the second half of the financial year. We have agreed terms for the increase in our stake to 19%. The operation continues to give us a real advantage in terms of lower cost manufacturing although we expect this position to be eroded over the coming years due to changes in the relative economics of the UK and China. In anticipation of this broad economic change, we are working with our partners to develop a domestic market for the joint venture and our own UK based operations.

## CZECH REPUBLIC

The Czech Republic operation continues to progress well in terms of output, quality and efficiency levels and was profitable during the period. Our activities to reduce the volatility of production volumes have provided a better productivity platform and we aim to do more in this respect in the coming years.

We continue to transfer production into this site as it makes economic sense although the vast majority of the planned transfer has now happened. We are examining alternatives on how best to grow this operation for the future.

## PROGRESS AGAINST STRATEGY

Our strategic aims remain improvement in the underlying profitability of the group, as measured by return on sales and return on capital employed, at the same time as growing revenues in excess of the underlying market.

We have made further progress against our strategic objectives which are summarised under the four key steps presented six months ago:

### WIDENING OUR GEOGRAPHIC FOOTPRINT

As described last time, the New York sales support office was opened in June 2010. We are beginning to work more closely with existing customers and have made early contact with potential new customers. The French sales support office continues to develop new customer relationships and we have a number of new product developments that are now close to fruition. We have received orders from a customer in South Africa and expect more to follow shortly. We continue to explore sales opportunities in China although, as described last time, we expect this to be a long-term project.

These activities are showing early but encouraging signs of success. During this first half, revenues outside of the UK increased by 23.4% over the same period last year, and we have increasing amounts of our UK turnover also consumed overseas.

### BROADENING OUR PRODUCT TECHNOLOGIES

The new manufacturing rooms for Wellington and Bideford are close to completion and should be operational within the next two months. We have begun to advance plans to upgrade other selected manufacturing rooms in order to progress our long-term development plans.

As we described last time, we filled our first sun care aerosol products in 2010 and are now working with product technology partners to significantly enhance our capabilities in this area.

## DRIVING COMPETITIVE IMPROVEMENTS IN OUR COST STRUCTURE

We have reduced total overheads in this first half by £0.1m compared with the same period last year as well as generating a 7.4% revenue increase from the same group infrastructure. This has driven our total overheads down to 23.5% of revenue compared with 25.3% in the same period last year.

## DRIVING GROWTH

Revenue in the first half of the year was 7.4% higher than in the same period last year against a very tough consumer background and the continued supplier lead-time issues noted above. Our order book is significantly higher than the same time last year and underpins future revenue growth assumptions. Our new product development and account management teams are working on a number of interesting projects which we are hopeful will enhance future revenue growth.

## MANAGEMENT INCENTIVES

Further awards under the Long-Term Incentive Plan were made on 8 December 2010. The vesting of the awards will be subject to the achievement of exacting performance targets to be determined by the Remuneration Committee in respect of each plan cycle, which will comprise not less than three consecutive financial years. We have also put in place a more focused management bonus for the wider business.

## BOARD COMPOSITION

The Company has recently taken the opportunity to strengthen significantly the Board for the future. The additions to the Board take into account concerns raised by certain shareholders at the last AGM whilst ensuring the Board can retain the independence necessary to protect the interests of all shareholders. I am sorry to say that these same shareholders are still unhappy despite the obvious quality of the appointments made during the last six months. As announced on the 23 February we have now received a request for an Extraordinary General Meeting to remove the Chairman. These activities are a severe distraction for management during a critical period for the company and cause unnecessary expense as the Board is compelled to seek advice regarding their activities.

Nonetheless, we were pleased to announce the appointments of Mr Martin Hagen and Mr Richard Organ as Non-executive directors of the Company on 19 January 2011.

Mr Hagen is the immediate past President of the Institute of Chartered Accountants in England and Wales and has worked at board level with many listed, large national and multinational companies in a variety of roles. Mr Hagen is Deputy Chairman of the Financial Services Authority's Regulatory Decisions Committee and until recently was a member of the Takeover Panel administering the City Code on takeovers and mergers. He is also a Non-executive director of South West Water, a member of the Audit Committee of the London School of Economics and a governor of the University of the West of England.

It is a pleasure to welcome back Mr Organ - the Board has missed the wise counsel and experience that he previously brought to the Board. Mr Organ, who is a former director of Swallowfield having been appointed a Non-executive director in 1996 and who served as interim Chairman from October 1999 to May 2000, is Non-executive chairman of CEPS plc and a Non-executive director of Axminster Carpets.

## DIVIDENDS

The Board has approved an interim dividend of 2.2p (2010: 2.2p) per share. This dividend will be paid on 27 May 2011 to shareholders on the register on 6 May 2011. The Shares will go ex-dividend on 4 May 2011.

The dividend policy remains the same as discussed last year, namely that we will retain a dividend cover of 1.5 times normalised post-tax earnings. We would anticipate a slight strengthening of the dividend cover this year, compared to last year's dividend cover of 1.3 times.

## OUTLOOK

Our order book is significantly higher in value terms than the same time last year, and this increased order book gives us cause for cautious optimism for the remainder of the year.

Our programme to increase prices together with continued cost reduction efforts will help to offset the increased raw material costs described above, although we would still expect a net negative impact on gross margins.

Overheads remain under tight control and, with the exception of a limited investment in R&D expenditure, are expected to be broadly in line with the rate of expenditure of the last six months.

Overall, our expectations for the 2011 financial year remain cautiously positive and broadly in line with those communicated six months ago.



# group statement of comprehensive income

		28 weeks ended 08 Jan 2011 (unaudited)	28 weeks ended 09 Jan 2010 (unaudited)	12 months ended 30 June 2010 (audited)
<b>Continuing operations</b>	Notes	£'000	£'000	£'000
Revenue	2	31,269	29,116	52,449
Cost of sales		(27,717)	(25,619)	(45,800)
<b>Gross profit</b>		<b>3,552</b>	3,497	6,649
Commercial and administrative costs		(2,790)	(2,668)	(5,301)
<b>Operating profit</b>		<b>762</b>	829	1,348
Finance income	3	-	8	18
Finance costs	3	(73)	(96)	(186)
<b>Profit before taxation</b>		<b>689</b>	741	1,180
Taxation		(170)	(208)	(259)
<b>Profit for the period</b>		<b>519</b>	533	921
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations		72	127	(2)
Gain on available for sale financial assets		48	-	-
<b>Other comprehensive income/(loss) for the period</b>		<b>120</b>	127	(2)
<b>Total comprehensive income for the period</b>		<b>639</b>	660	919
<b>Profit attributable to:</b>				
Equity shareholders		519	533	921
<b>Total comprehensive income attributable to:</b>				
Equity shareholders		639	660	919
<b>Earnings per share</b>				
- basic and diluted	4	4.6p	4.7p	8.2p
<b>Dividend</b>				
Paid in period (£'000)		464	464	712
Paid in period (pence per share)		4.1	4.1	6.3
Proposed (£'000)	5	248	248	464
Proposed (pence per share)		2.2	2.2	4.1

# group statement of changes in equity

	Share Capital	Share Premium	Exchange Reserve	Retained Earnings	Available for Sale Financial Assets	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 July 2010</b>	<b>566</b>	<b>3,830</b>	<b>(2)</b>	<b>8,566</b>	-	<b>12,960</b>
Dividends	-	-	-	(464)	-	(464)
Transactions with owners	-	-	-	(464)	-	(464)
Profit for the period	-	-	-	519	-	519
<b>Other comprehensive income:</b>						
Exchange difference on translating foreign operations	-	-	72	-	-	72
Current year gain	-	-	-	-	48	48
Total comprehensive income for the period	-	-	72	519	48	639
<b>Balance as at 8 January 2011</b>	<b>566</b>	<b>3,830</b>	<b>70</b>	<b>8,621</b>	<b>48</b>	<b>13,135</b>
<b>Balance at 1 July 2009</b>						
<b>Balance at 1 July 2009</b>	<b>563</b>	<b>3,796</b>	-	<b>8,357</b>	-	<b>12,716</b>
Dividends	-	-	-	(464)	-	(464)
Issue of share capital	3	34	-	-	-	37
Transactions with owners	3	34	-	(464)	-	(427)
Profit for the period	-	-	-	533	-	533
<b>Other comprehensive income:</b>						
Exchange difference on translating foreign operations	-	-	127	-	-	127
Total comprehensive income for the period	-	-	127	533	-	660
<b>Balance as at 9 January 2010</b>	<b>566</b>	<b>3,830</b>	<b>127</b>	<b>8,426</b>	-	<b>12,949</b>
<b>Balance at 1 July 2009</b>						
<b>Balance at 1 July 2009</b>	<b>563</b>	<b>3,796</b>	-	<b>8,357</b>	-	<b>12,716</b>
Dividends	-	-	-	(712)	-	(712)
Issue of share capital	3	34	-	-	-	37
Transactions with owners	3	34	-	(712)	-	(675)
Profit for the year	-	-	-	921	-	921
<b>Other comprehensive income:</b>						
Exchange difference on translating foreign operations	-	-	(2)	-	-	(2)
Total comprehensive income for the year	-	-	(2)	921	-	919
<b>Balance as at 30 June 2010</b>	<b>566</b>	<b>3,830</b>	<b>(2)</b>	<b>8,566</b>	-	<b>12,960</b>

# group statement of financial position

	As at 08 Jan 2011 (unaudited)	As at 09 Jan 2010 (unaudited)	As at 30 June 2010 (audited)
Notes	£'000	£'000	£'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11,182	11,194	11,057
Intangible assets	81	76	84
Deferred tax assets	37	143	99
Investments	192	46	46
<b>Total non-current assets</b>	<b>11,492</b>	<b>11,459</b>	<b>11,286</b>
<b>Current assets</b>			
Inventories	7,020	7,633	8,538
Trade and other receivables	10,805	9,661	12,072
Cash and cash equivalents	538	510	532
	<b>18,363</b>	<b>17,804</b>	<b>21,142</b>
Assets held for sale	6	167	167
<b>Total current assets</b>	<b>18,530</b>	<b>17,971</b>	<b>21,309</b>
<b>Total assets</b>	<b>30,022</b>	<b>29,430</b>	<b>32,595</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11,375	11,049	12,283
Interest-bearing loans and borrowings	2,321	1,555	3,856
Current tax payable	76	293	41
<b>Total current liabilities</b>	<b>13,772</b>	<b>12,897</b>	<b>16,180</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	686	1,154	1,008
Post-retirement benefit obligations	2,391	2,429	2,407
Deferred tax liabilities	38	1	40
<b>Total non-current liabilities</b>	<b>3,115</b>	<b>3,584</b>	<b>3,455</b>
<b>Total liabilities</b>	<b>16,887</b>	<b>16,481</b>	<b>19,635</b>
<b>Net assets</b>	<b>13,135</b>	<b>12,949</b>	<b>12,960</b>
<b>EQUITY</b>			
Share capital	566	566	566
Share premium	3,830	3,830	3,830
Other components of equity	48	-	-
Exchange reserve	70	127	(2)
Retained earnings	8,621	8,426	8,566
<b>Total equity</b>	<b>13,135</b>	<b>12,949</b>	<b>12,960</b>

# group cash flow statement

	28 weeks ended 08 Jan 2011 (unaudited)	28 weeks ended 09 Jan 2010 (unaudited)	12 months ended 30 June 2010 (audited)
	£'000	£'000	£'000
<b>Cash flow from operating activities</b>			
Profit before taxation	689	741	1,180
Depreciation	599	719	1,202
Amortisation	21	27	41
Loss on disposal of property, plant and equipment	-	-	9
Impairment of property, plant and equipment	-	1	-
Finance income	-	(8)	(18)
Finance cost	73	96	186
Decrease/(increase) in inventories	1,518	(1,415)	(2,320)
Decrease/(increase) in trade and other receivables	1,267	1,471	(940)
(Decrease)/increase in trade and other payables	(741)	902	1,812
Contributions to defined benefit plan	(172)	(184)	(357)
Current service cost of defined benefit plan	163	121	225
<b>Cash generated from operations</b>	<b>3,417</b>	<b>2,471</b>	<b>1,020</b>
Finance expense paid	(80)	(54)	(97)
Taxation paid	(170)	(212)	(259)
<b>Net cash flow from operating activities</b>	<b>3,167</b>	<b>2,205</b>	<b>664</b>
<b>Cash flow from investing activities</b>			
Finance income received	-	-	18
Purchase of property, plant and equipment	(723)	(622)	(960)
Purchase of intangible assets	(19)	-	(24)
Purchase of investment	(98)	-	-
<b>Net cash flow from investing activities</b>	<b>(840)</b>	<b>(622)</b>	<b>(966)</b>
<b>Cash flow from financing activities</b>			
Proceeds from share issue	-	37	37
Proceeds from new loans	-	-	1,396
Repayment of loans	(322)	(421)	(463)
Dividends paid	(464)	(464)	(712)
<b>Net cash flow from financing activities</b>	<b>(786)</b>	<b>(848)</b>	<b>258</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,541</b>	<b>735</b>	<b>(44)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>(1,356)</b>	<b>(1,312)</b>	<b>(1,312)</b>
<b>Cash and cash equivalents at end of period</b>	<b>185</b>	<b>(577)</b>	<b>(1,356)</b>
<b>Cash and cash equivalents consist of:</b>			
Cash	538	510	532
Overdraft	(353)	(1,087)	(1,888)
<b>Cash and cash equivalents at end of period</b>	<b>185</b>	<b>(577)</b>	<b>(1,356)</b>

## NOTE 1 BASIS OF PREPARATION

The Group has prepared its interim results for the 28 week period ended 8 January 2011 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.

As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS34 'Interim Financial Reporting'.

These interim financial statements do not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited. The unaudited interim financial statements were approved by the Board of Directors on 23 February 2011.

The consolidated financial statements are prepared under the historical cost convention as modified to include the revaluation of certain non-current assets. The accounting policies used in the interim financial statements are consistent with IFRS and those which will be adopted in the preparation of the Group's Annual Report and Financial Statements for the year ended 30 June 2011.

The statutory accounts for the year ended 30 June 2010, which were prepared under IFRS, have been filed with the Registrar of Companies. These statutory accounts carried an unqualified Auditors Report and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

## NOTE 2 SEGMENTAL ANALYSIS

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

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

Geographical segments	28 weeks ended 08 Jan 2011 (unaudited)	28 weeks ended 09 Jan 2010 (unaudited)	12 months ended 30 June 2010 (audited)
	£'000	£'000	£'000
UK	25,287	24,269	42,603
Other European Union countries	5,058	4,357	8,896
Rest of the World	924	490	950
	31,269	29,116	52,449

In the 28 weeks ended 8 January 2011, the Group has two customers that exceeded 10% of total revenues, being 31% and 17% respectively. In the 28 weeks ended 9 January 2010, the Group had two customers that exceeded 10% of total revenues, being 18% and 17% respectively.

## NOTE 3 FINANCE INCOME AND COSTS

	28 weeks ended 08 Jan 2011 (unaudited)	28 weeks ended 09 Jan 2010 (unaudited)	12 months ended 30 June 2010 (audited)
	£'000	£'000	£'000
<b>Finance income</b>			
Other interest	-	8	-
Dividends received	-	-	18
	-	8	18
<b>Finance costs</b>			
Bank loans and overdrafts	80	54	97
Finance lease interest	-	-	89
Net pension scheme (income)/cost	(7)	42	-
	73	96	186

## NOTE 4 EARNINGS PER SHARE

	28 weeks ended 08 Jan 2011 (unaudited)	28 weeks ended 09 Jan 2010 (unaudited)	12 months ended 30 June 2010 (audited)
<b>Basic and diluted</b>			
Profit for the period (£'000)	519	533	921
Basic weighted average number of ordinary shares in issue during the period	11,306,416	11,277,035	11,290,800
Dilutive potential ordinary shares:			
executive share options	-	-	-
	11,306,416	11,277,035	11,290,800
Basic earnings per share	4.6p	4.7p	8.2p
Diluted earnings per share	4.6p	4.7p	8.2p

Basic earnings per share has been calculated by dividing the profit for each financial period by the weighted average number of ordinary shares in issue in the period. There is no difference for any of the reported periods between the basic net profit per share and the diluted net profit per share.

The outstanding awards under the Long-Term Incentive Plan do not have a significant impact on the calculation of diluted earnings per share.

## NOTE 5 DIVIDENDS

The Directors have declared an interim dividend payment of 2.2p per ordinary share (2010: interim 2.2p; final 4.1p)

## NOTE 6 NON-CURRENT ASSETS HELD FOR SALE

	As at 08 Jan 2011 (unaudited)	As at 09 Jan 2010 (unaudited)	As at 30 June 2010 (audited)
	£'000	£'000	£'000
Property, plant and equipment	167	167	167

The asset held for sale relates to a freehold warehouse. The sale is expected to be completed within 12 months of the balance sheet date.

## NOTE 7 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO MOVEMENT IN NET DEBT

	28 weeks ended 08 Jan 2011 (unaudited)	28 weeks ended 09 Jan 2010 (unaudited)	12 months ended 30 June 2010 (audited)
	£'000	£'000	£'000
Increase/(decrease) in cash and cash equivalents in the period	1,541	735	(44)
Net cash outflow/(inflow) from decrease/(increase) in borrowings	322	421	(933)
Change in net debt resulting from cash flows	1,863	1,156	(977)
Net debt at the beginning of the period	(4,332)	(3,355)	(3,355)
Net debt at the end of the period	(2,469)	(2,199)	(4,332)

## NOTE 8 ANNOUNCEMENT OF RESULTS

These results were announced to the London Stock Exchange on 24 February 2011. The Interim Report will be sent to shareholders and is available to members of the public at the Company's Registered Office at Swallowfield House, Station Road, Wellington, Somerset, TA21 8NL.

# independent review report to swallowfield plc

## INTRODUCTION

We have been engaged by the company to review the financial information in the half-yearly financial report for the 28 weeks ended 8 January 2011 which comprises the group statement of comprehensive income, the group statement of changes in equity, the group statement of financial position, the group cash flow statement and the related explanatory notes that have been reviewed. We have read the other information contained in the half-yearly financial report which comprises the Chief Executive's Statement and considered whether they contain any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

## DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRS's as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in Note 1.

## OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the financial information in the half-yearly financial report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the 28 weeks ended 8 January 2011 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

## GRANT THORNTON UK LLP

AUDITOR

Cardiff

23 February 2011

# corporate directory

## DIRECTORS

**S J Winning** (Chairman)  
**I A Mackinnon** (Chief Executive Officer)  
**J M Fletcher** (Group Sales & Marketing Director)  
**M W Warren** (Group Finance Director)  
**P S Gaynor** (Non-executive Director,  
resigned 19 January 2011)  
**F P Berrebi** (Non-executive Director)  
**M J Hagen** (Non-executive Director)  
appointed 19 January 2011)  
**R T Organ** (Non-executive Director)  
appointed 19 January 2011)

## SECRETARY

**M W Warren** FCCA

## REGISTERED OFFICE

Swallowfield House  
Station Road  
Wellington  
Somerset TA21 8NL

## STOCKBROKERS

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

## REGISTRARS

**Computershare Investor Services PLC**  
PO Box 82  
The Pavillions  
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## AUDITORS

**Grant Thornton UK LLP**  
11-13 Pen-Hill Road  
Cardiff  
Wales CF11 9UP

## SOLICITORS

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

## BANKERS

**Barclays Bank PLC.**  
Park House  
Newbrick Road  
Bristol BS34 8TN

## REGISTERED NUMBER

01975376

## WEBSITE ADDRESS

[www.swallowfield.com](http://www.swallowfield.com)

## FINANCIAL CALENDAR

**Interim dividend paid:** 27 May 2011

**Preliminary announcement of 2011 results:**  
September 2011

**2011 Annual General Meeting:** November 2011

**Final dividend paid:** November 2011



