Swallowfield plc

Creating and Delivering Solutions for our Customers' Success

Preliminary Results for the year ended 30 June 2011

Swallowfield plc, the full service provider to global brands and leading retailers in the cosmetics, toiletries and household goods sector announces its results for the year ended 30 June 2011

HIGHLIGHTS

- Total revenue increased by 9.5% to £57.5m (2010: £52.4m)
- Overseas revenue increased by 14.5% (2010: 1.4%)
- Profit before taxation increased by 12.6% to £1.33m (2010: £1.18m)
- Earnings per share increased by 17% to 9.6p (2010: 8.2p)
- Final dividend proposed 4.1p (2010:4.1p) per share making a total for the year of 6.3p (2010:6.3p)
- The company has attracted high quality individuals to the Board

OUTLOOK

- Revenue in line with expectations in the first 10 weeks of the new financial year
- Weakening consumer demand expected to be more than offset by planned new product launches
- Widening geographic spread and developing new client relationships
- Positive expectations for the coming year

Ian Mackinnon Chief Executive commented:

"Revenue has increased by 9.5% despite the continued strong economic headwinds and is now 28% higher than in 2008, the start of the financial crisis. We have driven this increase through product innovation, an attention to quality and customer service and by providing cost effective product solutions to our growing customer base. Tight control of total overhead costs together with this increased revenue has more than offset significant increases in the price of raw materials and components and contributed to a 17% increase in earnings per share.

The strengths and potential of the group has enabled us to attract high quality Directors and we are pleased that Martin Hagen, Stephen Boyd and Roger McDowell have agreed to join the Board. We are also pleased that Martin Hagen, a past president of the Institute of Chartered Accountants and Deputy Chairman of the Financial Services Authority's Regulatory Decisions Committee, was appointed to the role of Chairman.

We expect the overall UK market background to continue to be adverse for another couple of years but, in anticipation of this, we are investing significant efforts in expanding our business outside of the UK, whilst capitalising to some degree on the more favourable climate for manufacturing in the UK.

Overall, our expectations for the 2012 financial year remain positive and unchanged."

For further information please contact:

Swallowfield plc

Ian Mackinnon,	Chief Executive Officer	01823 662 241
Mark Warren,	Group Finance Director	01823 662 241
Nick Reeve,	Smith & Williamson Corporate Finance	0117 376 2213
Alan Bulmer,	Performance Communications	0117 907 6514
Chris Lawrance,	JBP Public Relations	0117 907 3400

Notes to Editors:

Swallowfield plc is a market leader in the development, formulation and supply of cosmetics, toiletries and related household products to the own label and branded sectors. We pride ourselves on being a customer orientated, innovative, flexible and responsive company and combine high quality, competitive products with strong customer service - developing close partnerships with our customers and an in depth knowledge of their requirements.

Market and Economic Background

Trading conditions in the Group's primary markets of cosmetics, toiletries and light household products continue to be tough in Western Europe, North America and Japan. The picture in developing markets such as Eastern Europe, China, South East Asia and South America has been far more robust with many of the large global brands we supply reporting improved revenues in those markets. Branded products have continued to be discounted and promoted strongly thus limiting the penetration of own-label products and justifying our strategy to work with both brands and retailers.

The overall economic situation remains very fragile and, although the UK, the US and the Eurozone have thus far avoided double dip recessions, we still believe that these economies will not improve substantially for some time. The need to repair fiscal deficits in the UK and US in particular, the squeeze on household incomes and the pressure to increase savings rates will continue to limit consumer expenditure for some time. The majority of our product portfolio, however, is made up of either relatively inexpensive luxury items or everyday consumer products, and we do not expect sales of these to be adversely affected in a significant way. The bigger short term risks for us would be further tightening of credit conditions leading to another round of customer destocking and a further consolidation of our customer base.

The competitive nature of the market is encouraging brands and retailers to look for innovation to drive sales growth in higher value categories such as skincare, sun care and colour cosmetics. Enquiry levels are high and we are currently working on a number of new product launches for later in the current financial year.

Business Review

Revenue increased by 9.5% during the year bringing growth over the 3 years since 2008, to 28.2%. Our efforts to increase direct exports at a faster rate than UK based revenue have begun to bear fruit as direct exports grew by 14.5% in the year. We believe that indirect exports – that is sales to UK based customers who sell products outside of the UK – have also continued to increase, mirroring global growth patterns.

Raw material, component and other direct input costs have continued to increase at a fast rate resulting from increases in commodity prices such as oil and aluminium and a continued impact from the reduction in the value of Sterling over the last 3 years. The competitive nature of the current marketplace has made it extremely difficult to pass on these cost increases in a timely manner. The impact of this has been a reduction in direct contribution (Net sales less materials, direct labour, and other direct costs) from 28.2% to 26.3% over the period.

We have limited the impact of these inflationary cost increases by driving revenue growth and by maintaining a tight grip on overhead expenditure. Total overhead costs (all costs excluding material costs, direct labour costs and other direct costs) have decreased from 26.9% to 23.8% of revenue over the past 3 years.

At Wellington, the new manufacturing room was commissioned during the year and is now delivering the improved formulations, reduced wastage and improved productivity that we had expected. We are currently undergoing a programme to upgrade our other manufacturing rooms primarily to improve good manufacturing practice (GMP) and room layouts. Production efficiencies have again increased as a result of the investments made over the last few years and our lean and continuous improvement activities.

At Bideford, our long-term efforts to strengthen the operation are continuing and are showing early signs of success. The new creams and lotions manufacturing room is now in place, significantly strengthening our product capabilities and two major new product launches are planned for later this year in new product formats. The plan we enacted to run the operation as a pure production and development site has provided greater focus leading to improved utilisation levels, good cost control and an increase in enquiries.

During the year we increased our shareholding in our Chinese strategic investment by 9% to 19% at a cost of £0.1m. The costs of manufacturing and shipping from China are increasing rapidly and we expect that the relative advantage over European production will reduce over the next three years. In anticipation of this, we plan to work with our partners to significantly increase the domestic business, currently representing less than 5% of revenue, by investing in a small Swallowfield sales team in China during the coming year.

Our Czech factory has had another positive year and efforts to widen the customer base and reduce production volatility have met with some success. Operating efficiencies have increased and, even though costs are lower than the equivalent UK costs, we have begun to automate several of the production processes. The operation now undertakes liquid filling, fragrance filling and tube filling as well as the originally planned manufacture of colour cosmetic products.

Although the overall cost of providing defined benefit pensions to eligible members has remained broadly the same as the previous year, the split of this cost between interest and operating profit has changed significantly with an increased interest credit of £0.09m being effectively offset by an equivalent higher charge to operating profit. During the year the Company incurred one-off costs of approximately £0.1m relating to the general meeting held in April this year. If these situations had not occurred operating profit would have increased by around 19% compared with the previous year.

The Group pays tax primarily in the UK and the Czech Republic. The overall tax charge is lower than the standard UK rate of 27.5% as a consequence of adjustments in respect of prior years, research and development tax claims and profits chargeable to tax in the Czech Republic at 21%. In future years the Group will benefit from the continued reduction in UK Corporation Tax rate, further research and development claims and profits chargeable to tax in the Czech Republic at 21%.

Overall, earnings per share increased by 17% from 8.2p last year to 9.6p for the year under review.

Net Debt and Cash Flow

During the year, net debt increased from £4.3m to £4.7m due to an increased level of capital investment, primarily in the new manufacturing rooms and higher working capital to support increased business volumes. Year-end inventory levels, although lower than the prior year, were high as we built inventory in advance of new product launches due in the first half of the new financial year. As discussed last year, we have experienced some limited extension to customer payment terms.

During the year the Group increased the headroom on its borrowing facilities by £1.5m through the arrangement of a new £6.5m debt financing facility, replacing the previous overdraft and short term loan arrangements.

Good control over cash management remains a core Group policy to ensure that borrowing facilities are sufficient to meet operating and investment requirements and to take into account the nature and timing of cash-flows. Regular dialogue is maintained with our bankers and cash flow forecasts are closely monitored.

The defined benefit pension scheme is currently undergoing its latest triennial valuation as of 5 April 2011 the results of which should be finalised by the end of the current year. At the year-end the pension deficit was £2.4m, a slight improvement on the previous year.

Net financing costs of £0.14m (2010: £0.19m) comprised interest expense of £0.14m (2010: £0.10m) and pension scheme finance charges of £Nil (2010: £0.09m).

Capital expenditure was £1.6m (2010; £1.0m) which was £0.4m above depreciation (2010: £0.2m below) due to the carryover of items deferred from 2010, such as the new manufacturing rooms referred to previously.

The property for sale at Bideford remains unsold, with a limited level of interest shown in the period, but it remains our intention to sell it when market conditions allow.

Progress against strategy

The Board has recently reviewed the Group's strategic plan, and during the year the following progress was made against our strategic goals:

Widening our geographic footprint
The New York sales support office won its first new piece of business which, whilst small, is encouraging and it is working on a number of other opportunities. We have made our first shipment of product to South Africa and are evaluating two other customer opportunities in that country. During the last year we have been developing business opportunities in Colombia as a route into the South American market and hope to conclude this during the current year. Over the next year, we intend to create a small sales presence in China to begin to build domestic sales for our strategic investment and our European factories.

Broadening our product technologies
The new lotion manufacturing room at Wellington is installed, trials are complete and it is now in production and achieving good results. The skincare manufacturing room at Bideford is also now complete. We have begun work to increase our range of formulations for skincare related products.

During the year, we launched an innovative product for a major food producer and produced two new sun care aerosol products and have others planned for launch during the current financial year.

Our processes for generating innovation ideas are becoming more fully embedded and are now complemented by the idea of product champions from within our sales and marketing team. This should enable us to drive greater sales opportunities from each of our major product innovations.

Driving competitive improvements in our cost structure
During the year we continued to make progress on creation of a single customer facing organisation by integrating the various supply chain functions of the Group into a single organisation structure. This structure will both improve customer service and reduce costs.

Total overhead costs, including those employed in manufacturing and supply chain activities increased by only £0.2m or 1.5% against a revenue increase of 9.5%. Total overheads now represent 23.8% of revenue compared with 25.6% during the previous year and 26.9% in the financial year ended 30 June 2008.

Driving Growth
As described above, revenue increased by 9.5% to £57.5m.

Sales in the first 10 weeks are in line with expectations and we have a number of new and substantial product launches happening during the current financial year.

Our efforts to improve the marketing of the group continue with particular focus during the year being given to how we present ourselves to customers and prospective customers.

Board Changes

At the General Meeting held on 11 April 2011, your previous chairman, Shena Winning, was removed from office. The Board would like to thank Shena for her strong leadership over the last several years and for her support and enthusiasm for the Company.

Subsequent to the General Meeting, a process was undertaken to reconstitute and strengthen the Board. As part of this process an understanding was reached with the largest shareholder, Mr Peter Gyllenhammar, under which he agreed to support the Board, which would then be given time to work constructively on moving the business forward. This agreement would allow the management to concentrate on guiding the Company through the current difficult market conditions.

Stephen Boyd was appointed to the Board as a non-executive director on 8 July 2011 following a request from Mr Gyllenhammar and Western Selection plc. Stephen sits on a number of boards of both public and private companies, and is currently Chairman of Pittards plc and Pure Wafer plc, and is the Senior Independent Director of The Mission Marketing Group plc.

Following a rigorous selection process, the Board appointed Roger McDowell as a non-executive director. Roger is an experienced director of over 30 years standing. Having developed the Oliver Ashworth Group through dramatic growth, main market listing and sale to Saint Gobain. He then took a number on non-executive roles including chairmanships in both public and private equity backed businesses. Roger is currently Chairman of Augean plc, Avingtrans plc, and One Advice plc; a non-executive director of I S Solutions plc, and a director of several private companies.

We are also pleased that Martin Hagen, a past president of the Institute of Chartered Accountants and Deputy Chairman of the Financial Services Authority's Regulatory Decisions Committee, has agreed to be appointed to the role of Chairman.

Richard Organ stepped down from the Board on 31 July 2011 as part of the process of reconstituting the Board. The Board would like to take the opportunity to thank Richard for his support since he rejoined the Board and wishes him well for the future.

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 determined by the Remuneration Committee in respect of each plan cycle, which will comprise not less than three consecutive financial years.

Dividends

The policy used to recommend the final dividend remains the same as discussed last year, namely that we will retain a dividend cover of 1.5 times post-tax earnings. The Board has determined that this cover could be strengthened in future years in order to allow for a greater level of investment and reductions in net debt.

The Board is recommending a final dividend of 4.1p (2010: 4.1p) per share which, taken together with the interim dividend of 2.2p (2010: 2.2p) per share, makes an annual dividend of 6.3p (2010: 6.3p) per share. If approved at the Annual General meeting, the final dividend will be paid on 25 November 2011 to shareholders on the register on 11 November 2011. The Shares will go ex-dividend on 9 November 2011.

Outlook

We remain cautious about growth prospects for the UK economy and still expect further negative consumer sentiment to limit any recovery in the market. Recent economic data is also looking less positive for the US, Western Europe and developing economies such as China. However, our central assumption remains a tough UK market and a more positive global environment.

It is the Group's ability to research, develop and produce complex products for some of the world's leading companies that has created Swallowfield's success. This year, we have a number of new product developments which we expect to launch towards the latter part of the current financial year.

We will continue to maintain tight control over overheads.

The continued high level of capital expenditure and working capital to support new product launches in the second half are expected to impact the level of net debt at the half year.

There is a possibility that the Global economy could enter another negative phase but, assuming the impact is not too severe, overall we remain positive about the Group's prospects for the future.

Group Statement of Comprehensive Income
For the year ended 30 June 2011

Continuing operations	Notes	2011 £'000	2010 £'000
Revenue	5	**57,452**	52,449
Cost of sales		**(50,622)**	(45,800)
Gross profit		**6,830**	6,649
Commercial and administrative costs		**(5,421)**	(5,301)
Operating profit		**1,409**	1,348
Finance income		**60**	18
Finance costs		**(140)**	(186)
Profit before taxation	6	**1,329**	1,180
Taxation	7	**(247)**	(259)
Profit for the year		**1,082**	921
Other comprehensive income:			
Exchange differences on translating foreign operations		**68**	(2)
Gain on available for sale financial assets		**48**	-
Other comprehensive income for the year		**116**	(2)
Total comprehensive income for the year		**1,198**	919
Profit attributable to:			
Equity shareholders		**1,082**	921
Total comprehensive income attributable to:			
Equity shareholders		**1,198**	919
Earnings per share			
- basic and diluted	8	**9.6p**	8.2p
Dividend			
Paid in year (£000's)		**712**	712
Paid in year (pence per share)		**6.3**	6.3
Proposed (£000's)		**464**	464
Proposed (pence per share)		**4.1**	4.1

Group Statement of Financial Position
As at 30 June 2011

	2011 £'000	2010 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	11,395	11,057
Intangible assets	131	84
Deferred tax assets	-	99
Investments	192	46
	11,718	11,286
Current assets		
Inventories	8,428	8,538
Trade and other receivables	13,750	12,072
Cash and cash equivalents	1,186	532
	23,364	21,142
Assets held for sale	167	167
Total current assets	23,531	21,309
Total assets	35,249	32,595
LIABILITIES		
Current liabilities		
Trade and other payables	(18,358)	(12,283)
Interest-bearing loans and borrowings	(508)	(3,856)
Current tax payable	(44)	(41)
Total current liabilities	(18,910)	(16,180)
Non-current liabilities		
Interest-bearing loans and borrowings	(500)	(1,008)
Post retirement benefit obligations	(2,356)	(2,407)
Deferred tax liabilities	(37)	(40)
Total non-current liabilities	(2,893)	(3,455)
Total liabilities	(21,803)	(19,635)
Net assets	13,446	12,960
EQUITY		
Share capital	566	566
Share premium	3,830	3,830
Other components of equity	48	-
Exchange reserve	66	(2)
Retained earnings	8,936	8,566
Total equity	13,446	12,960

Group Statement of Changes in Equity
As at 30 June 2011

Group	Share Capital £'000	Share Premium £'000	Exchange Reserve £'000	Retained Earnings £'000	Available for Sale Financial Assets £'000	Total Equity £'000
Balance at 1 July 2010	**566**	**3,830**	**(2)**	**8,566**	**-**	**12,960**
Dividends	-	-	-	(712)	-	(712)
Transactions with owners	-	-	-	(712)	-	(712)
Profit for the year	-	-	-	1,082	-	1,082
Other comprehensive income:						
Exchange difference on translating foreign operations	-	-	68	-	-	68
Gain on available for sale financial assets	-	-	-	-	48	48
Total comprehensive income for the year	-	-	68	1,082	48	1,198
Balance as at 30 June 2011	**566**	**3,830**	**66**	**8,936**	**48**	**13,446**

Group	Share Capital £'000	Share Premium £'000	Exchange Reserve £'000	Retained Earnings £'000	Available for Sale Financial Assets £'000	Total Equity £'000
Balance at 1 July 2009	**563**	**3,796**	**-**	**8,357**	**-**	**12,716**
Dividends	-	-	-	(712)	-	(712)
Issue of share capital	3	34	-	-	-	37
Transactions with owners	3	34	-	(712)	-	(675)
Profit for the year	-	-	-	921	-	921
Other comprehensive income:						
Exchange difference on translating foreign operations	-	-	(2)	-	-	(2)
Total comprehensive income for the year	-	-	(2)	921	-	919
Balance as at 30 June 2010	**566**	**3,830**	**(2)**	**8,566**	**-**	**12,960**

Group Cash Flow Statement
For the year ended 30 June 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit before taxation		1,329	1,180
Depreciation		1,172	1,202
Amortisation		38	41
Loss on disposal of property, plant and equipment		-	9
Finance income		(60)	(18)
Finance costs		140	186
Decrease / (increase) in inventories		110	(2,320)
Increase in trade and other receivables		(1,678)	(940)
Increase in trade and other payables		1,373	1,812
Contributions to defined benefit plans		(353)	(357)
Current service cost of defined benefit plans		311	225
Cash generated from operations		2,382	1,020
Finance expense paid		(140)	(97)
Taxation paid		(247)	(259)
Net cash flow from operating activities		1,995	664
Cash flow from investing activities			
Finance income received		51	18
Purchase of property, plant and equipment		(1,510)	(960)
Purchase of intangible assets		(85)	(24)
Purchase of available for sale financial assets		(98)	-
Net cash outflow from investing activities		(1,642)	(966)
Cash flow from financing activities			
Proceeds from share issue		-	37
Proceeds from new loans		-	1,396
Proceeds from new debt facility		4,869	-
Repayment of loans		(1,968)	(463)
Dividends paid		(712)	(712)
Net cash flow from financing activities		2,189	258
Net increase / (decrease) in cash and cash equivalents	9	2,542	(44)
Cash and cash equivalents at beginning of year		(1,356)	(1,312)
Cash and cash equivalents at end of year		1,186	(1,356)
Cash and cash equivalents consist of:			
Cash		1,186	532
Overdraft		-	(1,888)
Cash and cash equivalents at end of year		1,186	(1,356)

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 2011 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 2010 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 2011 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, at the same time, 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 as adopted by the European Union (IFRS) 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 and include the net assets of 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 2011 are consistent with those disclosed in the Group's audited accounts for the year ended 30 June 2010.

5. 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 and Group cash flow statement.

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

	2011	2010
	£'000	£'000
UK	**46,176**	42,603
Other European Union countries	**10,191**	8,896
Rest of the World	**1,085**	950
	57,452	52,449

In the year ended 30 June 2011, the Group had two customers that exceeded 10% of total revenues, being 27% and 19% respectively.

6. *Profit before taxation*

	2011	2010
	£'000	£'000
(a) This is stated after charging/(crediting):		
Depreciation of property, plant and equipment:		
Purchased assets	**1,172**	1,202
Amortisation of intangible assets	**38**	41
Research and development	**725**	765
Foreign exchange (gains) / losses	**(32)**	112
Operating leases:		
Hire of plant and machinery	**111**	92
Rent of buildings	**512**	531
Loss on disposal of property, plant and equipment	**-**	9
Auditors' remuneration:		
Audit services	**39**	37
Non-audit services	**28**	23

(b) Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

Operating profit	**1,409**	1,348
Depreciation of property, plant and equipment	**1,172**	1,202
Amortisation of intangible assets	**38**	41
Loss on disposal of property, plant and equipment	**-**	9
EBITDA	**2,619**	2,600

7. *Taxation*

	2011	2010
	£'000	£'000
(a) Analysis of tax charge in the year		
UK corporation tax:		
on profit for the year	**275**	317
adjustment in respect of previous years	**(147)**	(141)
foreign tax	**16**	-
double tax relief	**(9)**	-
Total current tax charge	**135**	176
Deferred tax:		
Origination and reversal of temporary differences:		
current year charge	**(33)**	(62)
prior year charge	**52**	100
effect of tax rate change on opening balance	**(6)**	-
losses utilised in subsidiary	**99**	45
Total deferred tax	**112**	83
Tax charge	**247**	259

(b) Factors affecting total tax charge for the year

The tax assessed on the profit before taxation for the year is lower than the standard rate of UK corporation tax of 27.5% (2010: 28.0%). The differences are reconciled below:

	2011	2010
	£'000	£'000
Profit before taxation	**1,329**	1,180
Tax at the applicable rate of 27.5% (2010: 28.0%)	**365**	330
Effect of:		
Expenses not deductible for tax purposes	**13**	(6)
Capital allowances for the year in excess of depreciation	**54**	63
Other temporary differences	**(17)**	(11)
Deferred tax movement	**(40)**	(62)
Foreign tax not recoverable	**6**	-
Adjustment in respect of previous years	**(147)**	(141)
Adjustment to deferred tax in previous years	**52**	100
Differences between UK and overseas tax rates	**(39)**	(14)
Actual tax charge	**247**	259

8. *Earnings per Share*
(a) Basic and diluted

	2011	2010
	£'000	£'000
Profit for the year	**1,082**	921
Basic weighted average number of ordinary shares in issue during the year	**11,306,416**	11,290,800
Dilutive potential ordinary shares	**-**	-
	11,306,416	11,290,800
Basic earnings per share	**9.6p**	8.2p
Diluted earnings per share	**9.6p**	8.2p

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

	2011	2010
	£'000	£'000
Increase / (decrease) in cash and cash equivalents	**2,542**	(44)
Net cash inflow from increase in borrowings	**(2,901)**	(933)
Change in net debt resulting from cash flows	**(359)**	(977)
Net debt at 1 July	**(4,332)**	(3,355)
Net debt at 30 June	**(4,691)**	(4,332)

(b) Analysis of net debt

	1 July 2010	*Non-Cash Movement*	*Cashflow*	***30 June 2011***
	£'000	*£'000*	*£'000*	***£'000***
Cash at bank and in hand	532	-	654	**1,186**
Bank overdraft	(1,888)	126	1,762	**-**
	(1,356)	126	2,416	**1,186**
Secured debt facility	-	-	(4,869)	**(4,869)**
Borrowings due within one year	(1,968)	-	1,460	**(508)**
Borrowings due after one year	(1,008)	-	508	**(500)**
Total	(4,332)	126	(485)	**(4,691)**

10. *Annual General Meeting*
The Annual General Meeting will be held on Thursday 3 November 2011 at the Company's Registered Office, at 12.00 noon.