Creightons plc Group
Unaudited interim financial report
for the six months ended 30 September 2018

Financial highlights

- Revenue increased by 33.5% to £22.3m. (2017: £16.7m)
- Profit before tax increased by 44.4% to £1,380,000 (2017: £956,000)
- Operating profit margin of 6.3% (2017 5.8%)
- Diluted EPS 1.80p (2017: 1.09p)
- Net cash outflow of £1,717,000 in the 12 months is primarily due to the investment in plant and machinery and working capital to support the growth
- Paid final dividend of 0.23p per ordinary share in September 2018 (2017: 0.23p)
- Interim dividend of 0.15p per ordinary share to be paid in December 2018 (2017: 0.15p)

Operational highlights

- Sales growth momentum maintained;
    - Sales of retailer own label products increased by 61.4%
    - Contract sales increased by 19.8%
    - Our own branded sales have grown by 11.2%
    - Total overseas sales have increased by 12.6% to £2.2m in the period
- All outsourced production, which had an incremental cost of £68,000 in the period, has been brought back in house
- New high-speed bottle filling line is now in operation and has met the objective of increasing our bottle filling capacity by 25% within the same footprint
- Outsourcing of the warehousing and distribution of the majority of our finished goods to a third party logistics provider is 90% complete and was critical in enabling the Group to deliver the sales growth

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Chairman's statement

The Group has made a significant step forward in the first half of the year and the impact of the continuing growth can be seen in the results for the period ending 30 September 2018.

Sales

Group Sales were £22,338,000 for the six months ended 30 September 2018 (2017: £16,734,000) an increase of 33.5%. The open order book has increased by 41.8% compared to the same period last year. Private label sales have exceeded group sales growth with sales increasing by 61.4% compared to 2017. The continued development of sales with a new retailer and range extensions with our largest customer were the main drivers of this growth. Contract sales increased by 19.8% in the period. The growth in sales of our branded products for the first 6 months at 9.8% has been achieved by continued growth through existing customers. During the period we have focused on winning and extending business with key UK retailers which are growing their personal care and beauty market share as well as a realignment of key contract accounts based on margin performance. We have been successful in growing e-commerce sales of branded products in the period, albeit from a low base, and are investing in e-commerce platforms to further increase our reach and capability.

Margin and overheads

Our gross margin was 38.3% in the six months to 30 September 2018 (2017: 42.1%). This has been impacted by the change in sales mix in the period with a higher proportion of sales from our private label customers, which typically have lower margin and a lower proportion of higher margin branded sales. All outsourced production, which had an incremental cost of £68,000 in the period, has been brought back in house. We have continued to benefit from the economies of scale generated by the sales growth but have also incurred increased direct labour costs. We intend to continue efforts to improve our margins through targeted investment in plant and machinery, which will increase production capacity and improve unit cost of manufacture. We are also undertaking a review of all low margin business and putting actions in place to improve contribution, which will include increased sourcing from the Far East. This will be key to our success especially in the current economic climate as we continue to see the trend of consumers focussing on value.

Distribution costs have increased by 65.5% to £1,036,000 (2017 - £626,000), partly driven by organic growth and but also due to the decision to outsource the warehousing and distribution of the majority of our finished goods to a third party logistics provider. This process is 90% complete and was critical in enabling the Group to deliver the sales growth.

Administration costs have been tightly controlled increasing by 12.2% to £6,119,000 (2017 - £5,452,000) compared to sales growth of 33.5%.

We will continue to manage our overhead cost base to ensure they are aligned with the anticipated sales levels of the Group, whilst retaining the skills necessary to meet growth opportunities as they arise.

Profit before tax

Profit before tax was £1,380,000 (2017: £956,000), which represents an increase of 44.4%. The increased sales together with the tight control on costs results in an operating profit margin of 6.3% (2017: 5.8%).

Tax

The tax charge provided in the accounts of £186,000 (2017: £232,000) represents a rate of 13.5% (2017: 24.3%). The reduced rate in the current year is due to the tax relief on the exercise of share options in the period of £78,000 (2017: £ Nil).

Earnings per share

I am pleased to report that the result of the above is a diluted earnings per share of 1.80p (2017: 1.09p) an increase of 65.1%.

Dividend Payments

The Board is pleased to announce that it will be paying an interim dividend of 0.15 pence per ordinary share (2017: 0.15 pence per ordinary share), reflecting the continued strong performance the group has shown in the first half. This will be paid before Christmas. This is in addition to the dividend of 0.23 pence per ordinary share we paid in September 2018 (2017: 0.23 pence per ordinary share), the charge for which is shown in the accounts to 30 September 2018. The total payment in relation to the dividend paid in September was £140,000 (2017: £139,000).

Working capital

Net cash on hand (cash and cash equivalents less short term borrowings and loans) is a net borrowing of £1,963,000 (2017: £246,000). The main reason for the decrease in net cash on hand is the higher working capital requirement to support the sales growth during the period. With trade debtors increasing by 21% and inventories rising by 28% compared to sales growth of 33%.

Production capabilities.

Our new high-speed bottle filling line is now in operation and has met the objective of increasing our bottle filling capacity by 25% within the same footprint. Our new high speed tube filling line, which is intended to increase our tube filling capacity by 20% and to reduce the unit cost of production, is due to be installed and fully operational by the end of December 2018. We are also starting to see the benefits of our new production team driving improved outputs and efficiencies.

The Board and I believe that this half year's results including investments in resources and capabilities places the Group in an excellent position to take advantage of any opportunities that may arise.

I would like to take this opportunity to thank each and every one of the Group's employees for the hard work and effort they have put in to successfully and profitably deliver such a significant increase in sales. I would also like to thank our customers, shareholders and suppliers for their support and loyalty to the Group.

W O McIlroy
Executive Chairman

21 November 2018

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Responsibility statement

The names and functions of the Directors of the Company are as follows:

William O McIlroy	Executive Chairman
Bernard Johnson	Executive Managing Director
Mary T Carney	Non-executive Director
Nicholas O'Shea	Non-executive Director
William Glencross	Non-executive Director
Martin Stevens	Deputy Managing Director
Pippa Clark	Group Sales and Marketing Director
Paul Forster	Group Finance and Commercial Director

The Board confirms that to the best of its knowledge the condensed set of financial statements gives a true and fair view of the assets and liabilities, financial position and profit of the Group and has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules as issued by the Financial Conduct Authority, namely:

· DTR 4.2.7: An indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

· DTR 4.2.8: Details of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the enterprise during that period. Together with any changes in the related parties transactions described in the last annual report that could have a material effect on the enterprise in the first six months of the current financial year.

By order of the Board

Nicholas O'Shea
Company Secretary and Director 21 November 2018

Principal risks and uncertainties

Risks

The Board regularly monitors exposure to key risks, such as those related to production efficiencies, cash position and competitive position relating to sales. It has also taken account of the economic situation over the past 12 months, and the impact that has had on costs and consumer purchases.

It also monitors those risks not directly or specifically financial, but capable of having a major impact on the business's financial performance if there is any failure, such as product contamination and manufacture outside specification, maintenance of satisfactory levels of customer and consumer service, accident ratios, failure to meet environmental protection standards or any of the areas of regulation mentioned above.

Capital structure, cash flow and liquidity

The business is funded using retained earnings and invoice discounting, with a bank facility secured against its assets.

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Consolidated income statement – unaudited

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2018	**2017**	**2018**
	Note	**£000**	**£000**	**£000**
Revenue		**22,338**	16,734	34,810
Cost of sales		**(13,777)**	(9,691)	(20,660)
Gross profit		**8,561**	7,043	14,150
Distribution costs		**(1,036)**	(626)	(1,479)
Administrative expenses		**(6,119)**	(5,452)	(11,036)
Operating profit		**1,406**	965	1,635
Finance costs		**(26)**	(9)	(26)
Profit before tax		**1,380**	956	1,609
Taxation	3	**(186)**	(232)	(377)
Profit for the period from continuing operations attributable to the equity shareholders of the parent company		**1,194**	724	1,232

Dividend		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2018	**2017**	**2018**
Dividend Paid in period (£'000)		**140**	139	230
Paid in period (pence per share)		**0.23p**	0.23p	0.38p
Proposed (£'000)		**94**	91	139
Proposed (pence per share)		**0.15p**	0.15p	0.23p

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Earnings per share

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
	Note	**2018**	**2017**	**2018**
Basic	2	1.97p	1.20p	2.03p
Diluted	2	1.80p	1.09p	1.85p

Consolidated statement of comprehensive income - Unaudited

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2018	**2017**	**2018**
		£000	**£000**	**£000**
Profit for the year		1,194	724	1,232
Exercise of derivatives		-	30	37
Items that may be subsequently reclassified to profit and loss:				
Exchange differences on translating of foreign operations		2	-	9
Other comprehensive income for the year		2	30	46
Total comprehensive income for the period attributable to the equity holders of the company		1,196	754	1,278

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Consolidated balance sheet – unaudited

		30 September		31 March
		2018 (Unaudited)	**2017 (Unaudited)**	**2018 (Audited)**
		£000	**£000**	**£000**
Non-current assets				
Goodwill		331	331	331
Other intangible assets		365	320	349
Property, plant and equipment		2,058	1,767	1,832
		2,754	**2,418**	**2,512**
Current assets				
Inventories		7,332	5,736	5,499
Trade and other receivables		9,603	7,901	7,667
Cash and cash equivalents		716	213	968
Derivative financial instruments		-	56	-
		17,651	**13,906**	**14,134**
Total assets		**20,405**	**16,324**	**16,646**
Current liabilities				
Trade and other payables		6,951	6,618	6,260
Short term borrowings		2,679	459	747
		9,630	**7,077**	**7,007**
Net current assets		**8,021**	**6,829**	**7,127**
Non-current liabilities				
Deferred tax liability		6	66	34
		6	**66**	**34**
Total liabilities		**9,636**	**7,143**	**7,041**
Net assets		**10,769**	**9,181**	**9,605**
Equity				
Share capital		617	606	607
Share premium account		1,298	1,260	1,262
Other reserves		25	25	25
Translation reserve		2	(9)	-
Cash flow hedge reserve		-	56	-
Retained earnings		8,827	7,243	7,711
Total equity attributable to the equity shareholders		**10,769**	**9,181**	**9,605**

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Statement of changes in shareholders' equity – unaudited

	Share capital	Share premium account	Other reserves	Translation reserve	Cash flow hedge reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	606	1,259	25	(9)	(37)	6,623	8,467
Profit for six months ended 30 September 2017	-	-	-	-	-	724	724
Payment of dividend	-	-	-	-	-	(139)	(139)
Share based payments	-	-	-	-	-	35	35
Exercise of options	-	1	-	-	-	-	1
Exercise of derivatives	-	-	-	-	30	-	30
Charge in relation to derivative financial instruments	-	-	-	-	63	-	63
Balance at 30 September 2017	606	1,260	25	(9)	56	7,243	9,181
Profit for six months ended 31 March 2018	-	-	-	-	-	508	508
Share based payments	-	-	-	-	-	34	34
Exchange differences on translation of foreign operations				9	-	-	9
Exercise of options	1	2	-	-	-	-	3
Exercise of derivatives	-	-	-	-	7	-	7
Charge in relation to derivative financial instruments	-	-	-	-	(63)	-	(63)
Deferred tax through Equity	-	-	-	-	-	17	17
Payment of dividend	-	-	-	-	-	(91)	(91)
Balance at 31 March 2018	607	1,262	25	-	-	7,711	9,605
Profit for six months ended 30 September 2018	-	-	-	-	-	1,194	1,194
Share based payments	-	-	-	-	-	26	26
Exchange differences on translation of foreign operations	-	-	-	2	-	-	2
Exercise of options	10	36	-	-	-	-	46
Deferred tax through Equity	-	-	-	-	-	36	36
Payment of dividend	-	-	-	-	-	(140)	(140)
Balance at 30 September 2018	617	1,298	25	2	-	8,827	10,769

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Consolidated cash flow statement – unaudited

	Note	Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2018	**2017**	**2018**
		£000	***£000***	***£000***
Net cash outflow operating activities	4	**(1,350)**	**(1,532)**	**(413)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(452)	(296)	(633)
Expenditure on intangible assets		(286)	(309)	(549)
Net cash used in investing activities		**(738)**	**(605)**	**(1,182)**
Cash flow from financing activities				
Proceeds on issue of shares		46	1	4
Payment of dividend		(140)	(139)	(230)
Increase/(repayment) of bank loans and invoice finance facilities		1,932	(143)	679
Repayment of bank loans and invoice finance facilities		-	-	(534)
Net cash generated from/(used in) financing activities		**1,838**	**(281)**	**(81)**
Net decrease in cash and cash equivalents		**(250)**	**(2,418)**	**(1,676)**
Cash and cash equivalents at start of period		**968**	**2,631**	**2,631**
Effect of foreign exchange rate changes		(2)	-	13
Cash and cash equivalents at end of period		**716**	**213**	**968**

Notes to the unaudited interim financial report

1. Basis of preparation

The interim financial statements for the six months ended 30 September 2017 and 30 September 2018 and for the twelve months ended 31 March 2018 do not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements for the year ended 31 March 2018 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 March 2018 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006. The 30 September 2018 statements were approved by the Board of Directors on 20 November 2018. This unaudited interim report has not been audited or reviewed by auditors pursuant to the Financial Reporting Council guidance on Review of Interim Financial Information.

The condensed financial statements in this Interim Report have been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting' as adopted by the European Union.

As required by the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, the condensed set of financial statements has been prepared by applying the accounting policies and presentation that were applied in the preparation on the Company's published consolidated financial statements for the year ended 31 March 2018, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The condensed interim financial statements for the six months ended 30 September 2018 and the comparative figures for the six months ended 30 September 2017 are unaudited. The figures for the year ended 31 March 2018 have been extracted from the Annual Report on which the Auditors issued an unqualified audit report and which have been filed with the Registrar of Companies.

2. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

		Six months ended 30 September (Unaudited)		**Year ended 31 March (Audited)**
		2018	**2017**	**2018**
		£000	**£000**	**£000**
Earnings				
Net profit attributable to the equity holders of the parent company		1,194	724	1,232

		Six months ended 30 September (Unaudited)		**Year ended 31 March (Audited)**
		2018	**2017**	**2018**
		Number	**Number**	**Number**
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share		60,645,066	60,563,551	60,596,963
Effect of dilutive potential ordinary shares relating to share options		5,834,849	5,928,689	5,882,951
Weighted average number of ordinary shares for the purposes of diluted earnings per share		66,479,915	66,492,240	66,479,914

Notes to the unaudited interim financial report (Continued)

3. Taxation

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2018	**2017**	**2018**
		£000	**£000**	**£000**
Current tax		178	192	352
Deferred tax		8	40	25
Total		186	232	377

4. Notes to cash flow statement

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2018	**2017**	**2018**
		£000	**£000**	**£000**
Profit from operations		**1,406**	**733**	**1,635**
Adjustments for:				
Depreciation on property, plant and equipment		226	166	412
Amortisation of intangible assets		269	201	412
Loss on disposal of property, plant and equipment		-	-	26
Share based payment charge		26	35	69
		1,927	**1,135**	**2,554**
Increase in inventories		(1,832)	(1,712)	(1,475)
Increase in trade and other receivables		(1,936)	(3,040)	(2,806)
Increase in trade and other payables		770	2,054	1,710
Increase in deferred tax provision		-	40	-
Cash utilised in operations		**(1,071)**	**(1,523)**	**(17)**
Interest paid		(26)	(9)	(26)
Taxation paid		(253)	-	(370)
Net cash outflow from operating activities		**(1,350)**	**(1,532)**	**(413)**

5. Related party transactions

The related party transactions that occurred in the six months ended 30 September 2018 are not materially different in size or nature to those reported in the Company's Annual Report for the year ended 31 March 2018.

6. Availability of Interim Report

The Interim Report is being made available to shareholders on the company website www.creightonsplc.com. Further copies can be obtained from the Company's Registered Office, 1210 Lincoln Road, Peterborough, PE4 6ND.

7. Interim Dividend Declaration

Creightons wishes to confirm that the Company has declared and will pay an interim dividend of 0.15p per ordinary share as per the timetable below:

Ex-dividend date	Thursday 29 November
Record date	Friday 30 November
Payment date	Wednesday 19 December

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014
For more information:

Nicholas O'Shea, Director, Creightons plc	01733 281000
Roland Cornish, Beaumont Cornish Limited	0207 628 3396