

Creightons Plc Annual Report 2020

Registered Number 1227964

Creightons Plc Annual Report 2020

Contents	Page
Financial and operational highlights	2
Chairman's statement	3
Group strategic report	5
Directors' report	12
Corporate governance statement	16
Directors' remuneration report	19
Directors' responsibilities statement	26
Independent auditor's report to the members of Creightons Plc	27
Consolidated income statement and consolidated statement of comprehensive income	32
Company income statement and statement of comprehensive income	33
Consolidated balance sheet	34
Company balance sheet	35
Consolidated statement of changes in equity	36
Company statement of changes in equity	37
Consolidated cash flow statement	38
Company cash flow statement	39
Notes to the financial statements	40
Directors and advisers	69

Creightons Plc Annual Report 2020

Financial highlights

- Revenue increased by 8.6% to £47.8m (2019: £44.0m).
- Operating profit increased by 29.4% to £3.8m (2019: £2.9m).
- Operating profit margin of 7.9% (2019: 6.6%).
- A tax charge of £384,000 equates to an effective tax rate of 10.8% (2019: tax credit of £22,000 includes a prior year R&D credit of £361,000).
- The profit for the year has increased by £0.3m to £3.2m (2019: £2.9m).
- The profit increase has improved the fully diluted earnings per share to 4.34p (2019: 4.16p).
- Acquired the Freehold site in Peterborough for £4.0m partially funded by a long-term loan of £3.0m.
- Balance sheet remains strong after significant investment in working capital, product development and fixed assets to support organic growth.
- Proposed final dividend 0.50p per ordinary share (2019: 0.40p).

Operational highlights

- Sales growth momentum maintained:
 - Sales of retailer own label products increased by 29.8%
 - Contract sales declined by 20.3%
 - Our own branded sales have grown by 18.3%
 - Total overseas sales have increased by 43.4% to £7.2m (2019: £5.0m).
- Successful transitioning of brands with higher price point products and wider retail distribution.
- Brand acquired for £0.5m which generated £1.2m sales in the period and contributed towards the gross margin improvement.
- Cash generated from operations invested in working capital, product development and plant & equipment to support the business growth.
- Investment in Far East sourcing is showing in improved margins.
- Outsourcing the warehousing and distribution of the majority of our finished goods to third-party logistics providers.
- Covid 19 - impact in the period;
 - £400,000 of delayed sales
 - Small increase in operational costs
 - No impact on year-end stock or debtor provisions.
- Covid 19 - impact post the year end;
 - Increased sales arising from pivot to supplying hygiene products
 - Higher operational costs arising on creating a safe working environment.

Chairman's statement

The Group has continued its recent expansion with organic sales growth of 6.0%, supported by the sales from the brand acquired in the year, resulting in sales of £47.8m for the year ended 31 March 2020 (2019: £44.0m). This has driven a 29.4% increase in operating profit to £3,754,000 (2019: £2,900,000).

Sales

Group sales have increased across private label and branded sales streams, increasing by 29.8% and 18.3% respectively. Major range extensions with our largest customer and the continued growth with a major retailer in the UK were the main drivers of this increase. Contract sales decreased by 20.3% in the period, the main reason being one major customer moving production in-house. The fact that overall sales growth is not reliant on one business stream illustrates the resilience of our business model. Sales in the month of March 2020 were adversely impacted by approximately £400,000 due to Covid-19 related delays and cancelled orders. Sales growth of our branded products was driven by higher retail position brands such as Feather & Down, which continues to perform with current customers and extended distribution, and The Curl Company with wider distribution in both the UK and overseas. The discount sector continues to be a competitive market with many of the grocers moving away from brands to focus on their private label offering.

The Group's total overseas business, including the Australian subsidiary and non-own branded customers, has grown by 43.4% to £7,178,000 (2019: £5,005,000).

Margin and cost of goods

Our gross margin was 42.2% for the year ended 31 March 2020 (2019: 39.4%). The main driver has been a change in sales mix in the period with a higher proportion of sales from higher margin branded sales, including contribution from the acquired brand. All outsourced production, which had no incremental cost in the year (2019: £68,000) has been brought back in house. We have benefited from the economies of scale generated by; sales growth, continued improvements in productivity and the successful re-sourcing of many raw materials during the year that have more than offset the impact of underlying raw material price increases and increases in the minimum wage. The re-sourcing exercise is continuing with an expanded overseas sourcing structure.

Distribution costs and Overheads

Distribution costs have increased by 11.0% to £2,447,000 (2019: £2,204,000), partly driven by organic growth but also due to the decision to outsource the warehousing and distribution of our finished goods to a third-party logistics provider. This process is largely complete and was critical in enabling the Group to deliver current future sales growth.

Overhead costs have increased by 14.3% (2019: 10.9%) in the year as the Group has invested in increased resources as it builds a team capable of delivering the growth anticipated for the future. We will continue to manage our overhead cost base requirements to ensure they are aligned with the anticipated sales levels of the Group.

Acquisition and disposal

On 21 June 2019, the Company acquired a new brand for £500,000 as well as their existing stock. The acquisition adds to the Group's growing range of beauty and well-being products contributing £1,164,000 to sales for this period. On 13 August 2019 the Group sold its 55% interest in the equity of Amie Skincare Ltd with negligible impact on sales and profit.

The Company acquired the freehold property of the site it occupies in Peterborough for a total cost of £4,038,000 on 16 October 2019, which has a carrying value of £3,941,000 at 31 March 2020. The purchase is partly funded by a 15-year term loan of £3.04m secured on the property. The interest rate on the first 10 years of this loan is fixed at 3.04%. The amount of the loan outstanding at 31 March 2020 is £2,975,000 of which £159,000 is treated as short-term borrowings. The net benefit to operating profit in the period is £29,000.

Research and Development

The Group invests significant resources in research and product development. As the Group has developed its business towards more leading-edge products, the nature of the research and development has become more sophisticated. The total investment in research and development expenditure where we have made claims for R&D tax relief in the year is £1,121,000 (2019: £937,000, excluding claims in respect of prior years).

Tax

The Group's tax charge for the year was £384,000 (2019: credit of £22,000) which equates to a rate of 10.8% (2019: minus 0.80% which includes prior year R&D credit of £361,000). The effective rate of tax is significantly less than the standard rate of 19.0% (2019: 19.0%). The main reason for this reduction is the R&D relief claims for the current year of £213,000 and the reduction due to the tax charge associated with share options exercised in the period. The previous year's tax credit was due to the cumulative impact of three year's R&D tax credit.

Profit after tax

The Group's profit after tax has increased by 9.6% to £3,168,000 for the year ended 31 March 2020 (2019: £2,891,000)

Chairman's statement (continued)

Earnings per share

The diluted earnings per share of 4.34p (2019: 4.16p) is an increase of 4.3%.

Working capital

Net cash on hand (cash and cash equivalents less short-term element of the bank loan and short-term borrowings) is £2,957,000 (2019: Net cash borrowings of £383,000). The Group generated £6,612,000 (2019: £989,000) from operating activities, which enabled the company to acquire the Peterborough site and the brand acquisition and still improve its already strong financial position.

Return on Capital Employed

Despite the investment in the new brand, the Group has continued to increase its Reserves, which has resulted in a slight reduction in the Return on Capital Employed from 22.9% to 20.6%. The Group continues to look for opportunities to invest in brands that will help drive faster growth in profits.

IFRS 16 – Operating leases

The Group has adopted IFRS 16 from 1 April 2019 requiring all leases to be recognised on the balance sheet as an asset and a lease obligation, but the Group has not restated comparatives. Previously operating leases, including property rentals costs were charged to the Statement of Comprehensive Income. The resulting impact to profit is £50,000 extra cost with additional finance costs of £136,000 and depreciation of £142,000 compared to operating rental costs of £228,000. At 1 April 2019 balance sheet recognition resulted in an increase in right-of-use assets and obligations under leases (short and long term) of £900,000.

Dividend

The Board proposes a final dividend of 0.50 pence per ordinary share, subject to approval at the AGM, (2019: 0.40p). This is in line with the directors' intention to align future dividend payments to the underlying earnings and cash flow of the business. Together with the interim dividend of 0.15p per share paid last December, the total dividend paid for the year ended 31 March 2020 is 0.55p (2019: 0.38p).

Covid-19 statement

Whilst the Company has faced a number of challenges since the outbreak of Covid-19 and has incurred significant costs associated with managing the risks associated with Covid-19, it has also found opportunity to deliver product types currently in demand by consumers, industry and Health Care providers. In particular, the Company has been able to introduce its new Pure Touch brand of hand sanitisers and hand washes, available through all channels of distribution that require and need anti-viral hygiene products; and a newly developed anti-viral alcohol-free hand cream. Trading to the 31 July 2020 is ahead of last year, which has enabled the Group to absorb the increased costs and risks associated with the pandemic.

Mary Carney

The board was sad to announce the death in November of our long-standing Non-executive director, Mary Carney who passed away that month. They would like to recognise the contribution she made to the Group's success over the past 20 years and feel her insight and contribution will be missed.

Conclusion

The Board believes that the Groups strong customer relationships and robust financial position has enabled the Group to manage the current crisis and puts it in a good position to proactively manage any new challenges and take advantage of any new opportunities that may arise.

I would like to take this opportunity to thank every one of the Group's employees for the hard work and effort both during and after the year-end. It has been commendable how they have responded to the speed of change required and pressures associated with these exceptional times. I would also like to thank our customers and suppliers that have responded positively through this challenging period.

William McIlroy
Chairman, 1 September 2020

Group strategic report

This strategic report has been prepared solely to provide additional information to enable shareholders to assess the Group's strategies and the potential for those strategies to succeed.

The strategic report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

In preparing this strategic report, the directors have complied with s414C of the Companies Act 2006.

The strategic report has been prepared for the Group and therefore gives greater emphasis to those matters that are significant to Creightons Plc and its subsidiary undertakings when viewed as a whole.

The strategic report discusses the following areas:

- The business model
- A fair review of the Group's business
- Strategy and objectives
- Key performance indicators
- Principal risks and uncertainties
- Section 172 report
- Corporate and social responsibility
- Going concern

The business model

The principal activity of the Group is the development, marketing and manufacture of toiletries and fragrances, which includes the development of brands. A review of the operations of the Group during the year and current developments are referred to in the Chairman's statement on pages 3 - 4.

The subsidiary undertakings affecting the results of the Group in the year are detailed in note 17 to the financial statements.

A fair review of the Group's business

History

Creightons Plc was registered in 1975 to continue the business of manufacturing and marketing toiletries made exclusively from natural products first established in 1953. It created a number of proprietary brands, although it focused mainly on private label and contract manufacturing. It was listed on the London Stock Exchange in 1987. The Group consolidated its manufacturing at the Potter and Moore Innovations plant in Peterborough following the acquisition of the Potter and Moore business in 2003 and disposal of the Storrington site in 2005. The Group acquired the business and assets of the Broad Oak Toiletries site in Tiverton in February 2017 further increasing the Group's sales reach in terms of product and premium customers and adding to manufacturing capability and capacity. In June 2019 the Group bought the Balance Active Formula brand.

The first dividend for nearly 20 years was paid in 2015 and now as a result of the improved profitability the Company also made the decision to increase its declared dividends to a total of 0.65p (2019: 0.55p) in the year to March 2020.

Operating Environment

The toiletries sector principally encompasses products for haircare, skincare, bath & body and male grooming. The market is relatively mature although it is constantly evolving as brands seek to differentiate their offering in order to generate sales opportunities. This has resulted in a fragmentation of different sectors, for example, with haircare products developed to treat different hair types and conditions. Whilst adding some complexity, this segmentation creates opportunities for our business.

We also now operate in the home fragrance sector, reed diffusers and room fragrance. This sector is fragrance driven, fast moving and dynamic in line with changing consumer tastes and home interior trends.

Consumers purchase our products through a range of retail and internet outlets, from high quality department stores to value driven discounters, with the high street supermarkets and drug stores in the middle. The majority of the Group's products are sold in the UK, although increasing amounts are sold overseas, either direct to retailers or through distributors.

Producers and manufacturers providing products in this market place range from major multinational corporations to small businesses. Production and manufacturing are now world-wide, with many competitors sourcing a significant proportion of their products from outside the UK or EU, either due to greater economies of scale or due to a lower cost base.

All products the Group manufactures conform to EU regulation No. EU 1223:2009 which applies to toiletries and cosmetic products. The sites hold appropriate accreditations to conform to this regulation.

Group strategic report (continued)

Recent developments

The Group's operations are broadly organised into three business streams:

- our own branded business which develops, markets, sells and distributes products we have developed and own the rights to or brands we have licensed.
- private label business which focuses on high quality private label products for major high street retailers and supermarket chains and
- contract manufacturing business, which develops and manufactures products on behalf of third-party brand owners.

Each business stream uses central creative, planning, sourcing, finance and administration operations based in Peterborough with manufacturing, sales, research and development and logistics operations located at both Peterborough and Tiverton. Each business stream is pro-active in the development of new sales and product development opportunities for their respective customers.

Over the past few years, the Group has invested in a number of brands along with their existing brand owners. These operate within the existing branded products business stream. We continue exploring further opportunities of this nature where the benefits of developing existing established brands with the brand owners will add contribution to the Group's profits and value to the brand.

In the past, the Group has disposed of several brands and businesses such as "the Real Shaving Company" and "Twisted Sista" which we had successfully grown but were no longer part of our core business. The Group considers the acquisition, development and investment in new brands to be a key in adding value to the business.

During the year, the Group acquired the Balance Active Formula brand as part of its strategy of acquiring targeted brands that offer growth opportunities within our existing operational footprint.

Position of Group business

It is the directors' view that the financial position of the Group at the year-end is strong and that the Group has sufficient resources to meet its obligations in the normal course of business for the next 12 months.

Current operations

The Group operates through the three main business streams described above, utilising its extensive brand management, product development and manufacturing capabilities encompassing toiletries, skincare, hair care, fragrances and home fragrance. The Group has extended its research and development and sales expertise to maximise the opportunities afforded by these capabilities. Some of this work has been capitalised and is being amortised over the estimated life of the products in accordance with IFRS requirements.

The Group has continued its aggressive development programme of new ranges of branded toiletries, haircare and skincare products, with Feather & Down and Bambeautiful brands illustrating the potential that can be derived from this investment. The Group continues to extend and develop those already successfully launched such as *The Curl Company* and *Creightons Haircare brands*.

Strategy, objectives and future developments

The primary objective of the Group is to deliver an adequate and sustainable return for shareholders whilst guarding against commercial risks. We aim to deliver this by pursuing the following broad strategies:

- Expand our customer base across all three sales streams (private label, contract and brands) within the UK and increasingly overseas.
- Continuously review, develop and enhance our product offering to meet the consumers' requirement for high quality excellent value products and thereby help our customers grow their businesses.
- Ensure that we exceed our customers' expectations for first rate quality products and excellent customer service and use this to expand opportunities within our existing customer base.
- Manage our gross and net margins through efficient product sourcing, continuously improving production efficiencies, asset management and cost control.
- Make fully appraised investment in brands that will help us maintain and grow our business and create brand value, which can be crystallised through disposals to third parties.

The process for outsourcing the warehousing and distribution of the finished goods to a third-party logistics provider is almost complete. This has been, and will continue to be, key to allow the Group to deliver sales growth.

The Group continues to invest in resources as it builds a team capable of meeting future demand.

Group strategic report (continued)

Key performance indicators

Management and monitoring of performance

Your directors are mindful that although Creightons Plc is a UK Listing Authority "premium" listed company, in size it is really only medium sized and therefore many of the 'big business' features common in premium listed companies are inappropriate. Recent years' profitable results have been achieved as a result of considerable hard work in focusing management and staff efforts on more productive product ranges, improving production and stock holding efficiencies, ensuring high levels of customer service and eliminating overhead inefficiencies. This report has been prepared with that in mind and is commensurate with the size of the Group's business.

As a consequence, the Group has limited personnel or other non-financial Key Performance Indicators (KPIs) or targets. Each position that becomes vacant is reviewed against our strategic objectives for necessity before authorisation is given for it to be filled through either recruitment or promotion.

The Board regularly monitors performance against several key financial indicators, including gross margin, overhead cost control, cash/borrowing and stocking levels. Performance is monitored monthly against both budget and prior year.

Financial key performance indicators

	2019/20	2018/19	Movement
Sales	£47,808,000	£44,030,000	Increase of 8.6%
Gross Margin as a % of Revenue	42.2%	39.4%	Increase of 2.8%
Profit for the year	£3,168,000	£2,891,000	Increase of 9.6%
Operating profit	£3,754,000	£2,900,000	Increase of 29.4%
Operating profit as a % of Revenue	7.9%	6.6%	Improvement of 1.3%
Return on capital employed	20.6%	22.9%	Decline of 2.3%
Net gearing (including obligations under leases)	4.8%	4.6%	Increase of 0.2%

Health and Safety

There were 3 incidents involving employees or contractors on the Group's sites which were required to be reported to the Health & Safety Executive during the year (2019: 4). None of these resulted in adverse HSE reports or recommendations. All those involved have fully recovered and were able to return to work with no long-term effects after their incident. The Group continuously monitors and revises its operating, training and monitoring procedures as appropriate to ensure that the safety of employees and contractors is maintained to a high standard, and ensures there is no deterioration in compliance with these standards.

Principal risks and uncertainties

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 potential emerging risks, and the impact that has had on costs and consumer purchases.

It also monitors 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. Further details of financial risks are set out in Note 21.

Capital structure, cash flow and liquidity

The Group has a strong balance sheet with working capital investment at the year-end. The business is funded using; retained earnings, a long term mortgage and sale and lease back arrangements to support investments in fixed assets, and invoice financing and overdraft facilities for working capital. Further details are set out in Note 21.

At 31 March 2020 the invoicing financing is in a surplus position of £336,000 (2019: £4,000), due to cash received from customers immediately before the year end and not yet transferred to the bank account.

At 31 March 2020 the Group had utilised £554,000 (2019: £334,000) of its overdraft facility.

Competitive environment

The Group operates in a highly competitive environment in which demand for products can vary and customers have the opportunity to transfer business to other suppliers. The Group works to minimise this risk by developing close relationships with customers offering quality, service and innovation throughout the business. This risk is also further reduced through the development of its branded product portfolio and by the diversity of customers and products offered.

Group strategic report (continued)

Principal risks and uncertainties (continued)

Quality

The Group treats quality as its key requirement for all products and strives to deliver quality products for every price point. Failure to achieve the required quality and safety standards would have severe consequences for the Group, from financial penalties to the damage to customer relationships. The Group has a robust product development process to mitigate risk wherever possible and to ensure all products are safe and fit for purpose. The Group is subject to frequent internal and external safety, environmental and quality audits covering both accreditations held and a number of specific operating standards our customers require us to comply with.

Research and development

The Group undertakes significant research and development to identify new brands, proprietary products and improved formulations to existing products that address expected market trends and customer and consumer demands to maximise the Group's market share and deliver new opportunities for growth.

The Group's principal focus in R&D is maintenance and development of brands and products in its existing markets and product ranges. As our brands evolve the Group now develops ranges which involve greater innovative development and claims substantiation which has changed the nature of our research and development over recent years. One impact of this development is improved claims for research and development tax relief.

Brexit

As the UK Government continues its negotiations, uncertainty remains as to the extent to which our operations and financial performance will be affected in the longer term. At a Group and business level, we have continued to prepare for changes in legislation, trade agreements and working practices in order to take advantage of any opportunities arising and to mitigate risk. The Group operates globally and may be affected by Brexit developments, which could provide a number of challenges. The Group is continuously monitoring events and putting mitigating actions in place including the registration of a new subsidiary Potter & Moore Ltd based in Ireland as an EU base for recording regulatory information. Trading with our EU customers and suppliers could be more complex. Any actual or perceived barriers to free trade are an obvious area of concern for us. Brexit increases the Group's exposure to potential currency fluctuations and tariff changes. Brexit and trade barriers continue to be an integral part of the Group's ongoing risk management and review process, for which solutions to address the risks are identified and implemented. Although there is still uncertainty surrounding the outcome of Brexit, we do not expect the direct consequences of Brexit to have a material impact on the Group.

Covid-19

Like all businesses, Covid-19 presents significant risks to our customer base, supply chain and the infection risk faced by our employees.

We proactively managed the risks faced by our customers by working closely with them and by increasing debtor management and expanding our credit insurance. All customers' debtor limits, apart from the Department of Health and Social Care, are within insured credit limits or they pay on a pro-forma basis.

We have worked closely with suppliers and used our improved Far East sourcing capabilities to expand our supply base to ensure that we can meet the demand from our existing and new customers. This has increased costs as high demand for scarce raw materials drove up prices and we increased the use of air freighting to ensure we could meet the increased demand for hygiene products. We managed these increased costs with our customers to mitigate the impact on the business.

We appointed a team of senior managers to monitor risks to our employees, and which manages these risks on a daily basis. Amongst other action, we have;

- Introduced a Covid-19 testing regime for all employees who cannot work from home,
- Increased use of PPE and installed screens to ensure social distancing can be maintained,
- Expanded all cleaning regimes in our sites,
- Managed site access through new security and temperature testing processes,
- Minimised the risks associated with car sharing by providing our own transport for employees who cannot get to work by other means.

Whilst this has increased our costs, it has ensured we can continue to service our customers and ensure our workforce has as safe an environment to operate in as possible. The Group utilised the Government's Furlough scheme for a short period, deferred paying Vat until March 2021 but did not need to access any further Government schemes.

Group strategic report (continued)

Section 172 report

This section serves as our section 172 report. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision-making. The Directors continue to have regard to the interests of the Company’s employees and other stakeholders, including the impact of its activities on the community, the environment and the Company’s reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term. Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail this year how the Board engages with our stakeholders to comply with the requirement to include a statement setting out how our Directors have discharged this duty.

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and by direct engagement with stakeholders where appropriate. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision-making. Details of our principal stakeholders, how and why we engage with them is detailed below;

Shareholders

The Groups’ principal means of communicating with shareholders is through the Annual Report and Financial Statements. This is supported by bi-annual presentations to shareholders where attendees question the executive directors on the Groups’ performance and direction, these sessions are available to view on the Company’s website.

Customers

We work closely with all of our customers to ensure fair trading agreements in place and we strive to work closely to identify shared opportunities to increase sales to ensure mutual growth in sales and profits.

Employees

The Board continues to enhance its methods of engagement with the workforce. With thorough regular briefings, direct communications through text messages and regular meetings with employee representatives through works councils. The Groups has a profit related bonus system which ensures our employees participate in the ongoing success of the business.

Suppliers

We aim to work responsibly with our suppliers. During the year, the Board reviewed our arrangements and updated its Modern Slavery and Human Trafficking Statement that sets out the steps taken to prevent modern slavery in our business and supply chains. WE ensure all suppliers are treated fairly when negotiating trading terms, including prompt payment for goods and services.

Key decisions made during the year, all of which have long-term implications for the ultimate success of the Group and the section 172 and stakeholder considerations are set out below

Key Board Decision	Section 172 and Stakeholder Consideration
<i>Acquisition of the Balance Active Formula brand</i>	<p><i>To expand the brand and sales opportunities which will:</i></p> <ul style="list-style-type: none"> • <i>Increase the Group profitability for shareholders;</i> • <i>Improve opportunities and job security for employees; and</i> • <i>Create new opportunities for customers and suppliers.</i>
<i>Purchase of the Freehold Property at 1210 Lincoln Road, Peterborough, the principal operating site of the Group.</i>	<i>Provide security and provide opportunities to create long-term savings by streamlining the Group’s operations that will benefit all stakeholders.</i>
<i>Operational impact of Covid-19</i>	<p><i>To identify the risks and opportunities associated with the Covid-19 pandemic and subsequent lock-down and:</i></p> <ul style="list-style-type: none"> • <i>Maximise opportunities to secure sales of hygiene related products to secure employment, shareholder value, meet customer and consumer demand and provide business for our suppliers; and</i> • <i>Manage the risks by creating a safe and secure workplace for our employees so that the opportunities can be delivered.</i>

Group strategic report (continued)

Section 172 report (continued)

The Board ensures that items requiring Board approval highlight relevant stakeholder considerations to be considered when making decisions. As required, the Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to stakeholder issues.

The Group has maintained its dividend policy, considering that such a payment is not detrimental to ensuring employees can be paid and investment be made for the longer future. The uncertainties caused by Covid-19 around going concern and focus on cash retention is mitigated by the increased sales that have been made post year end as the Group has pivoted to supplying hygiene products.

Corporate and social responsibility

The Group is mindful of its wider responsibilities as a significant local employer in both its principal locations and of the contribution, it makes to the local economy both where it and its suppliers are based. The Group adheres to Modern Slavery and Human Trafficking Policies and adheres to best practice with regard to employment practices. All employees are paid the National Living Wage Foundations earnings when bonuses are included and the Group is targeting to pay this in their basic earnings.

We value and respect our employees and endeavour to engage their talent and ability fully. Whilst the Group does not operate a formal personal performance appraisal process, individual managers and supervisors undertake continuous performance monitoring and appraisal for their subordinates, and routinely report the results of these to their own managers and this assessment forms part of bonus payments. Part of this monitoring and appraisal includes assessment of training required for personal development as well as succession planning within the Group, and all employees are encouraged to undertake appropriate training to develop their skills and enhance their career opportunities.

The Group has formally adopted an Environmental Policy, which requires management to work closely with local environmental protection authorities and agencies, and as a minimum, meet all environmental legislation. The Group uses significant amount of plastics, cardboard packaging and chemicals in its products. It ensures it meets all regulations covering their use and has specific programmes covering;

- Sustainable palm oil; we are member of Roundtable for Sustainable Palm Oil, holding their supply chain accreditation. 98% of palm oil derivatives purchased by the Group are sustainably sourced.
- Packaging waste; all plastic and cardboard waste generated by the Group is recycled.
- Post-Consumer Recycled materials; we have an active development programme to use 'post-consumer recycled' materials in the manufacture of our products where practicable.

The table below shows the number of employees by gender in the Group as at 31 March 2020

	Group 2020		Company 2020	
	Female	Male	Female	Male
Directors, including Non-executive Directors	1	6	1	6
Senior Managers	2	2	-	-
Other employees	267	162	-	-

	Group 2019		Company 2019	
	Female	Male	Female	Male
Directors, including Non-executive Directors	2	6	2	6
Senior Managers	2	2	-	-
Other employees	256	160	-	-

The Group has formal Staff Handbooks, which cover all major aspects of staff discipline and grievance procedure, Health and Safety regulations, and the Group's non-discrimination policy.

Disabled persons

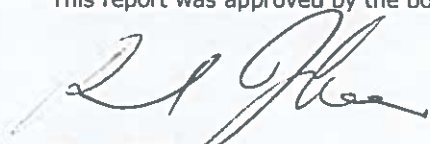
The Group's policy is to fully consider all applications for employment from disabled persons in relation to the vacancy concerned. In the event of existing staff members becoming disabled, every effort would be made to enable them to maintain their present position or to provide appropriate training and find an alternative role within another department.

Group strategic report (continued)

Going concern

The directors are pleased to report that the Group continues to meet its debt obligations and expects to operate comfortably within its available borrowing facilities. The Group's cash on hand at 28 August 2020 is £0.9m after investing in working capital to support the growth in sales of hygiene products. A significant (33%) reduction in revenue, without management tackling current overhead levels, over the next 12 months, would not fully utilise this cash and Group's available working capital resources. The directors have therefore formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being at least twelve months from the date of this report. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

This report was approved by the board of directors on 1 September 2020 and signed on its behalf by:



Bernard Johnson
Managing Director

Creightons Plc Annual Report 2020

Directors' report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2020. The corporate governance statement set out on pages 16 to 18 forms part of this report.

The Strategic Report on pages 5 to 11 provides a fair review of the Group's business for the year ended 31 March 2020 as well as explaining the Group's strategy, objectives, future developments, its key performance indicators for monitoring the business and the Group's principal risks and uncertainties that could impact on the Group.

The Strategic Report on page 8 covers the Groups Research and Development activities and on page 10 covers Disabled Persons practice.

Dividends

The Directors propose a final dividend of 0.50 pence per ordinary share subject to approval at the AGM (2019: 0.40p). The 2019 final dividend of 0.40p per ordinary share and an interim 2020 dividend of 0.15 pence per ordinary share were paid during the year (2019: 0.55p).

Greenhouse gas (GHG) emissions

GHG emissions data for the year from 1 April to 31 March		
	Global tonnes of Co2e	
	2020	2019
Combustion of fuel and operation of facilities	513	670
Electricity, heat, steam and cooling purchased for own use	469	583
Total	982	1,253
<i>Tonnes of Co2e per £m of cost of sales</i>	<i>35.5</i>	<i>46.9</i>
	kWh used	
	2020	2019
	000's	000's
Energy consumption	4,601	5,704

We have reported on all of the emissions sources required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended in August 2013. The reporting boundary used for the collation of the above data is consistent with that used for consolidation purposes in the financial statements. We have used GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Governments GHG Conversion Factors for Company Reporting 2019 to calculate the above disclosures.

The figures reported above relate to emissions and energy consumed in the United Kingdom.

The key sources for emissions are gas and electricity. We have not included Co2e emissions from Group employees' travel, which we consider immaterial.

The Group has set a target of reducing tonnes of Co2e per £m of cost of sales by 5% per annum (based on the figures reported in the year ended 31 March 2019 of 46.9 tonnes of Co2e per £m of cost of sales) over the 5 years ending 31 March 2023.

Capital structure

The issued share capital is detailed in note 26. Creightons Plc has one class of ordinary shares, which carry no rights to fixed income. Each share carries one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfers of shares or their voting rights.

Details of the employee share schemes are set out in note 27.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of the directors are governed by the Companies Act 2006, the Articles of the Company and are detailed in the corporate governance statement on pages 16 to 18. Directors are required to retire upon the third anniversary of their last election.

Under the terms of resolution 12 at the 2019 AGM, the Company has the authority to issue 3,237,307 ordinary shares, being 5% of the issued share capital at that time. This authority expires after 15 months from its date of adoption (14 August 2019) or until the next AGM if sooner unless renewed. The directors will propose a resolution renewing this power based upon the new issued share capital.

Directors' report (continued)

There are several other agreements that alter or terminate upon a change of control of the Company or subsidiary companies such as commercial agreements, bank facility agreements, property leases and employee share plans. None of these are expected to be considered significant in terms of their likely impact on the business of the Group taken as a whole. There are no agreements between any companies within the Group and any of their directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Employees

The Group places significant importance on the contributions of its employees and aims to keep them informed of developments in the Group through a combination of Teams briefings and electronic communication, which has increased significantly in the past few months. There are Works Councils on both of the Groups sites where employee concerns are raised. Employee input is encouraged and directors and senior management regularly tour the facilities and engage with employees.

A large number of employees are members of the Group's Share Option scheme and can participate in the Group's success. All employees can earn up to 7.5% of their basic earnings in a Group wide bonus scheme as long as the Group has met its profit targets. This Bonus is paid twice per year and has been paid regularly in recent years.

The Strategic Report on page 9 covers how the Directors have had regard to employee interests, including the effect of principal decisions taken by the Group during the financial year.

Directors

The directors who held office during the year were as follows:

William O McIlroy (Executive Chairman and Chief Executive)
Bernard JM Johnson (Managing Director)
Philippa Clark (Deputy Managing Director)
Martin Stevens (Deputy Managing Director)
Paul Forster (Group Finance & Commercial Director)
Mary T Carney (Senior Independent Non-executive) (passed away 19 November 2019)
William T Glencross (Non-executive)
Nicholas DJ O'Shea (Non-executive and Group Company Secretary)

William McIlroy – Chairman and Chief Executive

Mr McIlroy is a major shareholder and has served on the Company's board since 2000 and been Chairman and Chief Executive since 2001. He has extensive knowledge and experience of the personal care industry. Since his appointment to the board, he has provided invaluable strategic direction and guidance to the Company, which has resulted in its recovery from a historically poor trading and funding position, leading to the delivery of sustained profit and earnings growth for over a decade.

Bernard Johnson - Managing Director

Mr Johnson has been the Company's Managing Director since 2002 and has been in similar senior positions with manufacturing businesses over the past 30 years, in many cases brought in on a rescue and recovery basis. He has overseen the turn-round and subsequent growth of the business during his time as Managing Director as well as managing the acquisition and integration of both the Potter & Moore Innovations business in Peterborough and more recently the Potter & Moore Devon business.

Philippa Clark – Deputy Managing Director

Ms Clark has worked within the industry for 20 years in a wide and extensive range of sales, marketing and commercial roles across private label, branded and contract businesses. In recent years she has headed up the development of the Creightons branded portfolio, growing and extending the reach of the Company's award-winning brands into multiple channels and international markets whilst also overseeing the development of the strengthening private label division of the business. She has held the position of Global Marketing Director since her appointment to the Board in 2015 and was appointed Deputy Managing Director on 8 July 2020.

Martin Stevens – Deputy Managing Director

Mr Stevens is a Chartered Chemist and has worked in the cosmetics industry for 32 years with extensive experience across the personal care and household sector in Research & Development, Quality Assurance, Production and Procurement. Martin has been Technical Director at Potter & Moore Innovations Ltd (the Company's principal trading business) and Creightons Plc for the past 14 years. He has previously been Technical Director of Norit Body Care Toiletries, Technical Director at the manufacturing division of AAH Pharmaceuticals Ltd, Chief Chemist at Columbia Products Co Ltd after initially entering the industry with L'Oreal working with brands such as Lancôme and Cacharel. Martin was appointed as Group Deputy Managing Director when he joined the Board in 2015.

Paul Forster - Group Finance & Commercial Director

Mr Forster was appointed Group Finance & Commercial Director when he joined the Board in 2015, a new role with responsibility encompassing finance, manufacturing, logistics and procurement. Paul has been with the Potter & Moore Innovations business for 24 years, primarily working as Chief Financial Officer but also including spells overseeing manufacturing. Previously he was Finance Director of Beauty International Fragrance Ltd (BIF), who distributed the Coty fragrance range throughout Europe and the Far East. Prior to joining BIF Paul qualified as a Chartered Accountant with Touche Ross.

Directors' report (continued)

William Glencross – Non-executive Director

Mr Glencross has had many years' sales, marketing and general management experience in the cosmetics and toiletries industry in both the branded and private label sectors, having been Sales & Marketing Director and then Managing Director of Potter & Moore, and was previously General Manager of the Fine Fragrance division of Shulton G.B., part of the American Cyanamid Group. Mr Glencross was appointed to the Board in July 2005 and made a non-executive director on his retirement in 2006.

Nicholas O'Shea – Non-executive Director & Group Company Secretary

Mr O'Shea has been the company secretary for over 20 years and a director since 2001. A maths & chemistry graduate, he has a background in the toiletries and chemicals sectors having held senior financial positions in a number of world-wide businesses including Proctor & Gamble, Scott Paper and Omya Pluss-Stauffer. Mr O'Shea is a CIMA qualified management accountant, and he is currently CFO or finance director with several privately-owned SMEs as well as an investment management company in the City.

Director indemnities

There are no director indemnities.

Directors' insurance

During the year, the Company has purchased insurance cover for the directors against liabilities arising in relation to the Group, which remained in force at the date of this report.

Directors standing for re-election

Under the terms of the Articles, directors are required to retire on the third anniversary of their last election. As a consequence, no directors retire this year and there will be no election for members of the board.

Substantial shareholdings

At 31 March 2020 the company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following substantial interests, being 3% or more of the ordinary shares in issue:

Shareholder	Number of shares	% held
Mr WO McIlroy (including Oratorio Developments Ltd)	16,219,275	25.05%
Mr & Mrs B Geary	6,543,404	10.11%
Mr BJM Johnson	5,087,884	7.86%
Messrs S & A Chandaria	3,500,000	5.41%
The Estate of Mr T Amies	2,580,000	3.98%
Mr D Barry	2,500,000	3.86%
Mr B Dale	2,451,740	3.79%

During the period between 31 March 2020 and 28 August 2020 Mr & Mrs B Geary sold 269,977 ordinary shares reducing their holdings to 6,273,427 shares representing 9.69% of the Company equity and this was notified on the RNS as required under chapter 5 of the Disclosure and Transparency Rules.

The Company has received no other information requiring such notifications under chapter 5 of the Disclosure and Transparency Rules during the year. The above table shows the percentages held revised for share issues subsequent to the latest notification from the relevant shareholder.

Resolutions to be proposed at the Annual General Meeting

The Board will be proposing the following resolutions at the AGM. The detailed wording of the resolutions is contained within the notice of the AGM. They have the support of all Board members, who will vote in favour of them with all their own shareholdings and those under their control, and with any discretionary proxies granted to them personally or in the capacity of chair of the meeting.

1. To receive and consider the Group's financial statements and reports of the directors and auditor for the year ended 31 March 2020.
2. To receive and approve the directors' remuneration report for the year ended 31 March 2020.
3. To approve the directors' remuneration policy as detailed in pages 19 to 25 of the directors' remuneration report.
4. To approve the proposed final dividend of 0.50 pence per share.
5. To authorise the directors to appoint auditors to replace BDO who are resigning following the completion of 20 years' service as auditor to the Group.

Directors' report (continued)

Resolutions to be proposed at the Annual General Meeting (continued)

6. To give authority to the directors to allot shares pursuant to Section 551 of the Companies Act 2006. This authorises the company for a period of up to 15 months, or until the next AGM if sooner, to allot 1p Ordinary Shares up to an aggregate nominal value of £215,820 being a further one third of the Company's present issued share capital as a rights issue.
7. As a special resolution, to grant a limited disapplication of the statutory pre-emption rights contained in Section 570 of the Companies Act 2006. This authorises the company for a period of up to 15 months, or until the next AGM if sooner, to allot 1p ordinary shares up to an aggregate nominal value of £32,373.07, being 5% of the Company's present issued share capital, without first offering them as a rights issue to existing shareholders.
8. As a special resolution, to give a limited power to the company to purchase its own shares. This authorises the company for a period of up to 15 months, or until the next AGM if sooner, to purchase 1p ordinary shares up to a maximum aggregate nominal value of £32,373.07, being 5% of the company's present issued share capital, at no more than 105% of the average of the middle market quotations for ordinary shares for the five business days prior to the date of purchase and the minimum price of 1p.

The resolution approved at the AGM on 14 August 2019 relating to the authorisation of the Company to purchase 1p ordinary shares up to a maximum 5% of the Company's issued share capital at that date remains in place and is unused.

Directors' confirmations

Each director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group's auditor is not aware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Viability statement

The directors have assessed the viability of the Group for the period of 3 years. The board believe this period is appropriate having consideration for the Group's principal risks and uncertainties (outlined in the Strategic Report on pages 7-8), to production efficiencies, positive cash flows and competitive positioning relating to sales as well as costs.

The nature of the products manufactured by the Group, and the ability of the Group to flex production onto hygiene products, has meant that the group has traded successfully throughout the current Covid-19 period and output has actually been higher in the first 4 months of trading in the 2021 financial year when compared to 2020.

The Group has been able to successfully manage employees, the supply chain and customers since March 2020, and considers the managing of all three relationships key in the medium term. The Group's customer mix is also retailers that have also traded successfully through the lock-down and are likely to continue to do so in the future. This mitigates the risk of an unmanageable reduction in sales affecting the Group's long-term viability.

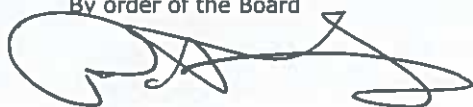
The Group continues to meet its debt obligations and expects to operate comfortably within its available borrowing facilities going forward.

Based on the above, the board confirm it has a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the 3 year period of assessment.

Auditor

BDO will be resigning as auditor as they have completed their twenty-year cycle. The lockdown associated with Covid-19 has interrupted the process to select new auditors. The Board will advise shareholders once this process is completed.

By order of the Board



Mr Paul Forster
Group Finance & Commercial Director

1 September 2020

Corporate governance statement

Introduction

The board of directors is responsible for the long-term success of the Group, through the sustainability of the Group's business model and showing leadership and drive to ensure the Group delivers on its strategies. The board identifies opportunities to maintain the long-term success of the Group and devises strategies and actions to take advantage of these opportunities. The strategy will always take into account the costs and commitments associated with the opportunities and will ensure the risks are managed to reduce the short term risks. The board is conscious of all stakeholders when making decisions, with particular focus on protecting and respecting the interest of its employees.

Compliance

The Listing Rules of the Financial Conduct Authority ("FCA") require listed companies to disclose how they have applied the principles set out in the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council and whether or not they have complied with its provisions. The UK Corporate Governance Code is available on the Financial Reporting Council's website: www.frc.org.uk. The Board is committed to the principles set out in the Code but judges that some of the processes are disproportionate or less relevant to the company, given the relative small size and minimal complexity of the business.

The company has not complied with the Code since its issue as regards the following:

- No formal training programme is in place specifically for Non-executive Directors.
- The role of the Chairman and Chief Executive are combined.
- The non-executive directors are not limited to a period of office.
- There is no director considered by the board to be independent following the death of Mary Carney.

The Chairman has been in place beyond nine years, which the Board consider appropriate given the scale of the business.

With the growth of the company and increasingly prescriptive compliance requirements, the Board is continuing to review its governance arrangements with the intention of ensuring that it continues to be as compliant with guidelines and best practice as is appropriate and practical for a company of our size and resources.

The Group does not have a formal diversity policy, which it does not consider appropriate given the scale of the business. The open management style ensures that everyone is given opportunities to progress regardless of age, gender, or educational background.

The Composition of the Board

Details of all the directors are set out below:

William McIlroy	Executive Chairman and Chief Executive
Bernard Johnson	Managing Director
Nicholas O'Shea	Group Company Secretary and Non-executive Director
William Glencross	Non-executive Director
Philippa Clark	Deputy Managing Director
Martin Stevens	Deputy Managing Director
Paul Forster	Group Finance & Commercial Director

The Role of the Board

The Board's principal task is to set the Group's strategy, which is devised to deliver optimum value for shareholders. Other matters reserved for decision by the full Board include approval of the annual report, authorisation of all acquisitions and disposals, sanction of all major capital expenditure, the raising of equity or debt finance and investor relations.

The Board has considered that the Group was too small for the distinction between Chairman and Chief Executive to be practical.

The Board considers it would be difficult to replace the existing Non-executive Directors with persons of similar competence, experience and understanding without incurring significant additional costs both in terms of executive search and then both the fees such new Non-executive Directors would expect and the cost of training them. Consequently, it feels that it remains appropriate for the existing Non-executive Directors to be nominated for re-election when their terms expire under the company's articles.

Following the death of Mary Carney the board is actively seeking a suitable candidate to come onto the board as an independent NED. The present pandemic has delayed progress with this appointment, and it is therefore unlikely a suitable candidate will have been identified before this year's AGM.

The Board operates a formal process of performance evaluation with the Chairman and Remunerations Committee regularly reviewing the performance of all members of the Board.

Corporate governance statement (continued)

The Role of the Board (continued)

Both William McIlroy and Bernard Johnson continued with their roles with their service companies and Mr McIlroy has continued with his role with Oratorio Developments Ltd during the year. There has been no change in these commitments over the past year.

The Board reviews the risks that arise and continually reviews any emerging and ongoing risks and the outcomes are noted in the Strategic Report on pages 7 to 8. The principal risks assessed related to the brand acquisition, which was considered low risk as it involved the integrations of 12 products in a business that manages over 200 new products annually. The impact of Covid-19, which was considered high risk. It was agreed the senior management team would instigate daily management meetings to manage the risks related to; employee safety, customer viability and supply chain implication.

The directors have met as a full board on 9 occasions during the year, including meetings by telephone. The attendance at meetings held during the year to 31 March 2020 for each of the directors is as follows:

Director	Board meetings	Remuneration Committee	Audit Committee
William McIlroy	7	-	-
Bernard Johnson	8	-	-
Nicholas O'Shea	8	4	2
Mary Carney (to 19/11/19)	4	2	-
William Glencross	8	2	2
Phillippa Clark	9	-	-
Martin Stevens	9	-	-
Paul Forster	9	-	-

Procedures are in place to enable the directors to take appropriate independent professional advice at the Company's expense if that is necessary for the furtherance of their duties. All directors have access to the advice and services of the Company Secretary.

Board Committees

Under the formal terms of reference of the Board Committees, the Board has delegated specific responsibilities to the Nomination, Remuneration and Audit Committees. The Board considers that all the members of each Committee have the appropriate experience and none of them has interests which conflict with their positions on the Committees.

Nomination Committee

The Board as a whole undertakes the duties of the Nomination Committee. The Committee is responsible for proposing candidates for the Board having regard to the balance and structure of the Board.

The Group does not have a formal diversity policy in relation to appointments and succession planning, but consider that the open management style does not limit inclusivity.

The primary work during the period is evaluating the appointment of a new non-executive director to replace Mary Carney.

Remuneration Committee

The Remuneration Committee consisted of Nicholas O'Shea and Mary Carney who acted as chair until she passed away. William Glencross was appointed to the committee in December 2019 taking over as chair on his appointment. In determining policy for the Executive Directors, the committee has given due consideration to the Code. The remuneration packages are designed to attract, retain and motivate Executive Directors of the required calibre. The Committee reviews the appropriateness of all aspects of directors' pay and benefits by taking into account the remuneration packages of similar businesses.

Directors' remuneration

The Executive Directors are salaried in their capacity as directors. Their management and operational services may be provided via service companies on a basic fee basis. Additional fees are contingent on the levels of pre-tax profits.

In addition, the Executive Directors participate in a share option scheme. The Board believes that in accordance with the best practice provisions, this approach aligns the interests of shareholders and Executive Directors.

Full details of directors' remuneration, shareholdings and share options are noted in the Directors' Remuneration Report on pages 19 to 25.

Corporate governance statement (continued)

Internal control

The directors are responsible for the Group's systems of internal control and for reviewing its effectiveness whilst the role of management is to implement Board policies on risk management and control. The Group's system of internal control is designed to manage rather than eliminate risk of failure to achieve the Group's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established a process for managing the significant risks faced by the Group. This ongoing process is reviewed regularly by the Board and accords with the internal control guidance issued by the FRC.

The key procedures designed to provide effective internal controls are:

- A clearly defined organisational structure with the appropriate delegation of authority to operational management.
- A comprehensive planning and budgeting process, which requires the Chairman's and Managing Director's approval.
- Management information systems to monitor financial and other operating statistics.
- Aspects of internal control are regularly reviewed and where circumstances dictate, new procedures are instigated.

The Group does not have an internal audit function. However the Board periodically reviews the need for such a function. The current conclusion is that this is not necessary given the scale and complexity of the Group's activities.

The Board has reviewed and is satisfied with the effectiveness of the internal controls in operation and this process will continue.

Audit Committee

The Audit Committee consisted of Nicholas O'Shea and Mary Carney who acted as chair until she passed away. William Glencross was appointed to the committee in December 2019 with Nick O'Shea taking over as chair on his appointment. Its role is to:

- Monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and review significant financial reporting judgements contained therein;
- Review the Group's internal financial controls and the Group's internal control and risk management systems;
- Review whether it is appropriate to introduce an internal audit function;
- Make recommendations to the Board for a resolution to be put to the shareholders for their approval in general meeting on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding provision of non-audit services by the external audit firm;
- Advise the Board on whether the annual report is fair, balanced and understandable and provides information necessary for the users to assess the Group's position and performance, business model and strategy;
- Report to the Board on how it has discharged its responsibility.

The board reviews the work of the Audit Committee annually to ensure it meets the requirements of its role.

The Audit Committee pays particular attention to matters it considers to be important by virtue of their size, complexity, level of judgement and potential impact on the financial statements and wider business model. During the year, the committee undertook a comprehensive review of the Company's compliance with various regulations including those covering Market Abuse, with which they are satisfied that the Company is compliant in all materials aspects. The committee also reviews the management accounts and internal management reports on a regular basis.

During the year, the Audit Committee met to review outcome from the 2019 audit, the plan for the 2020 audit and to agree the selection criteria to appoint a replacement to BDO LLP as Group auditors.

In respect of the present auditor, BDO LLP:

- In considering the appointment or re-appointment of the audit firm, the Audit Committee considers the quality of the work the audit firm produces, the degree of investigation required into the transactions for a Group of our size and complexity, and the value for money offered by the audit firm. The committee considers the auditor's knowledge of the Group business and systems gained through experience has contributed to the effectiveness of the audit process.
- The current audit partner is Paul Fenner.
- The last time a tender process was undertaken was in 2011.
- The Company is in the process of tendering for new auditors as BDO will be resigning following the completion of 20 years as the Company's auditor.
- The pandemic has resulted in a delay in tendering for this appointment, but this process will be completed for appointment of a new auditor for the 2021/22 year.

Directors' remuneration report

Relations with shareholders

The objective of the Board is to create increased shareholder value by growing the business in a way that delivers sustainable improvements in earnings over the medium to long term.

The Board considers the Annual General Meeting as an important opportunity to communicate with private investors in particular. Directors make themselves available to shareholders at the Annual General Meeting, at the presentation of full-year and interim results and on an ad hoc basis, subject to normal disclosure rules.

This report is on the activities of the Remuneration Committee for the year to 31 March 2020. It sets out the remuneration policy and remuneration details for the Executive and Non-executive Directors of the Company. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") as amended in August 2013.

The report is split into three main areas:

- Statement by the chair of the Remuneration Committee;
- Annual report on directors' remuneration (subject to audit); and
- Policy report.

The policy report was subject to a binding shareholder resolution at the 2019 Annual General Meeting and the policy took effect for the financial year beginning on 1 April 2019. The annual report on directors' remuneration provides details on remuneration in the period and some other information required by the Regulations. It will be subject to an advisory shareholder vote at the 2020 Annual General Meeting.

The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the directors' remuneration report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual remuneration report that are subject to audit are indicated in that report. The statement by the chair of the Remuneration Committee and the policy report are not subject to audit.

Statement by the chair of the Remuneration Committee

The directors' remuneration report has been prepared on behalf of the Board by the Remuneration Committee. The current members of the Remuneration Committee are William Glencross, who is the Chairman of the Committee and Nicholas O'Shea who is also a Non-executive Director, and acts as secretary to the committee.

The Remuneration Committee determines the remuneration of each Executive Director. During the year ended 31 March 2020, the Remuneration Committee agreed changes to the salaries of the Executive Directors in line with other employees, which became effective on 01 April 2020.

It is envisaged that the other remuneration components for Executive Directors for the year ended 31 March 2021 will be similar to those in place for the year ended 31 March 2020 as shown in the 'single figure' tables shown below.

Annual report on directors' remuneration

The information provided in this part of the Directors Remuneration Report is subject to audit

The tables below represent the directors' remuneration for the years ended 31 March 2020 and 31 March 2019. These emoluments are normally paid in the year except for the bonus payments which are paid following the approval of the financial statements.

Executive directors' remuneration as a single figure

Director	Note	2020				
		Salary and fees	Annual bonuses	Pension	Share based payments	Total
		£000's	£000's	£000's	£000's	£000's
WO McIlroy	1	25	199	-	-	224
BJM Johnson	2	92	199	-	-	291
P Clark		92	8	4	-	104
M Stevens		86	8	9	-	103
P Forster		84	7	8	-	99
Total		379	421	21	-	821

Creightons Plc Annual Report 2020

Directors' remuneration report (continued)

Director	Note	2019				
		Salary and fees	Annual bonuses	Pension	Share based payments	Total
		£000's	£000's	£000's	£000's	£000's
WO McIlroy	1	25	150	-	59	234
BJM Johnson	2	92	150	-	59	301
P Clark		86	10	4	39	139
M Stevens		81	12	8	26	127
P Forster		80	11	7	20	118
Total		364	333	19	203	919

The share based payments noted in 2019 is full fair value at grant date. There were no grants in 2020.

Non-executive Directors' remuneration as a single figure

Director	Note	2020			
		Salary and fees	Taxable benefit	Share based payments	Total
		£000's	£000's	£000's	£000's
MT Carney	3	11	-	-	11
NDJ O'Shea	4	22	-	-	22
W T Glencross		16	2	-	18
Total		49	2	-	51

		2019			
		Salary and fees	Taxable benefit	Share based payments	Total
		£000's	£000's	£000's	£000's
MT Carney		15	-	10	25
NDJ O'Shea		16	-	10	26
W T Glencross		15	2	10	27
Total		46	2	30	78

The share based payments noted in 2019 is full fair value at grant date. There were no grants in 2020.

Note

- 1 Mr McIlroy earned a salary of £25,000 with all other payments made to Mr McIlroy's service company, Oratorio Developments Ltd.
- 2 Mr Johnson earns a salary of £10,000 per annum with all other payments made to his service company, Carty Johnson Limited.
- 3 Payments in respect of Ms Carney terminated on 19 November 2019 upon her death.
- 4 All payments are made to Mr O'Shea's employer, Saxon Coast Consultants Limited.
- 5 All other directors' remuneration is paid directly to the individual directors.

Taxable benefits

The taxable benefit for Mr William Glencross relates to his membership of the Group's medical scheme, which commenced prior to him stepping down as an Executive Director.

Payments for loss of office

No Executive Directors left the Company during the year ended 31 March 2020 and therefore no payments in respect of compensation for loss of office were paid or payable to any director (2019: Nil).

Share options

During the year the Mr BJM Johnson exercised 1,300,000, Ms P Clark exercised 200,000 and Mr P Forster exercised 500,000 share options. Following Mary Carney's death the share options she held lapsed. During the year ended 31 March 2019 Mr M Stevens was the only director to exercise share options, exercising 400,000. No directors were awarded share options during the year ended 31 March 2020 but were during the year ended 31 March 2019 and these are shown in the below table that can be exercised between 2021-2028 at an exercise price of 26.80p. There is a vesting period of over 3 years. The share options were awarded to the directors as part of the Company's ongoing compensation and remunerations plans as a motivation for continuing to deliver success to the Group, its shareholders and employees. There are no service conditions associated with the award of the share options.

Creightons Plc Annual Report 2020

Directors' remuneration report (continued)

Directors' shareholdings

The directors who held office at 31 March 2020 had the following beneficial interests in the 1p ordinary shares of the Company:

Director	At 31 March 2020				
	Shares	Share Options			Total Options held
	Number of shares	Exercise period of 2017 -2024 price 5.50p Vested	Exercise period of 2019 -2025 price 4.50p Vested	Exercise period of 2021 -2028 price 26.80p Not vested	
Mr William O McIlroy	16,219,275	1,300,000	-	900,000	2,200,000
Mr Bernard JM Johnson	5,087,844	-	-	900,000	900,000
Mr Nicholas DJ O'Shea	100,000	-	-	150,000	150,000
Mr William T Glencross	67,500	-	-	150,000	150,000
Ms P Clark	651,818	-	200,000	600,000	800,000
Mr M Stevens	981,818	-	-	400,000	400,000
Mr P Forster	1,183,318	-	-	300,000	300,000

There are no performance measure attributable to the share options. There are no requirements for a director to own shares.

Director	At 1 April 2019				
	Shares	Share Options			Total Options held
	Number of shares	Exercise period of 2017 -2024 price 5.50p Vested	Exercise period of 2019 -2025 price 4.50p Not vested	Exercise period of 2021 -2028 price 26.80p Not vested	
Mr William O McIlroy	16,219,275	1,300,000	-	900,000	2,200,000
Mr Bernard JM Johnson	4,787,844	-	1,300,000	900,000	2,200,000
Mr Nicholas DJ O'Shea	100,000	-	-	150,000	150,000
Mr William T Glencross	67,500	-	-	150,000	150,000
Ms M Carney	-	-	-	150,000	150,000
Ms P Clark	501,818	-	400,000	600,000	1,000,000
Mr M Stevens	981,818	-	-	400,000	400,000
Mr P Forster	749,318	-	500,000	300,000	800,000

All of the above options relate to ordinary shares in Creightons plc. The market prices of these shares are included in the table below.

Market price		
At 31 March 2020	Lowest during period	Highest during period
44.00p	27.00p	54.50p

Mr McIlroy's holding noted above includes 14,450,000 (2019: 14,450,000) shares held in the name of Oratorio Developments Ltd, a private company of which Mr McIlroy is a Director and controlling shareholder.

Creightons Plc Annual Report 2020

Directors' remuneration report (continued)

The information provided in this part of the Annual Report on remuneration is not subject to audit

Performance graph and CEO remuneration table

The following graph shows the Group's performance, measured by total shareholder return, compared with the FTSE All-Share index, which the directors have always considered the most suitable comparator given the small number of quoted companies of a similar size in the Company's sector; and the typical portfolio style of management for most investors, meaning that investments in the Company would be compared against investment portfolios based on FTSE All-Share index performance.

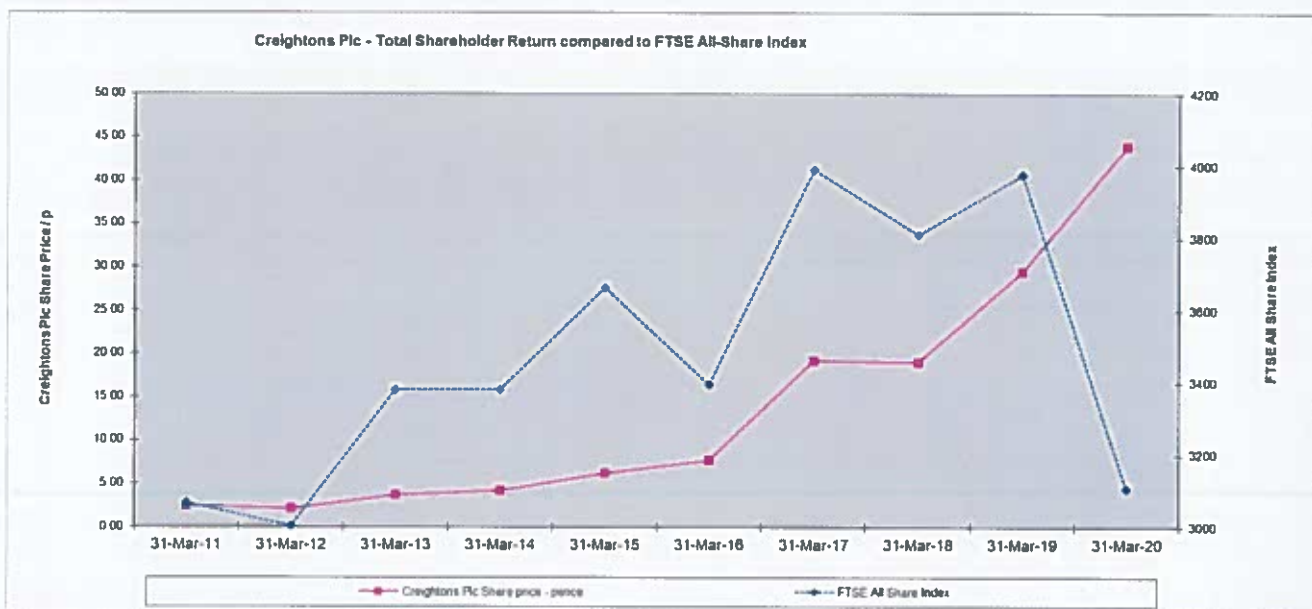


Table of Historical Data

The table below sets out the remuneration of the CEO and highest paid director.

Year	Single figure of total remuneration £000's	Annual bonus pay-out against maximum %
2020	291	100%
2019	301	100%
2018	177	100%
2017	170	100%
2016	156	100%
2015	47	100%
2014	29	100%
2013	20	100%
2012	16	100%
2011	12	100%

Percentage change in remuneration of director undertaking the role of Chief Executive Officer

The table below shows the percentage increase in remuneration of the highest paid director and the Group's employees as a whole between the years ended 31 March 2019 and 31 March 2020.

	Percentage increase in remuneration in 2020 compared with remuneration in 2019	
	Highest paid director	Employees
Salary and fees	0%	3.7%
All taxable benefits	n/a	0.0%
Annual bonus	32.9%	66.7%
Total	21.7%	6.2%

Creightons Plc Annual Report 2020

Directors' remuneration report (continued)

Pay ratios

The table below sets out the ratio of the highest paid director to the median, 25th and 75th percentile full-time equivalent remuneration of the Groups employees.

Year	Method	25 th percentile pay ratio	Median pay ratio	75 th percentile ratio
2020	Option B	15:1	13:1	11:1

Option B under the reporting requirements has been chosen to identify the employees at the median, 25th and 75th percentiles as it provides the most effective method to identify the reference employees for calculation purposes. The reference employees pay has been calculated from their annual salary, bonuses and pension at the close of the financial year.

In line with the regulations, the following table sets out the total pay and benefits, and the salary element for the highest paid director and employees at each percentile.

	Base salary £000's	Total pay and benefits £000's
Highest paid director	92	291
75 th percentile employee	23	27
50 th percentile employee	19	22
25 th percentile employee	16	20

Relative importance of spend on pay

The table below shows the total expenditure of the Group for all employees compared to retained profits and distributions to shareholders for the years ended 31 March 2020 and 31 March 2019 and the year on year change.

	Year ended 31 March 2020 £000's	Year ended 31 March 2019 £000's	Change %
Employee costs	12,360	10,863	13.8%
Profit for the year	3,168	2,891	9.6%
Dividends paid	347	233	48.9%

Voting at general meeting

The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to directors' remuneration, the reasons for any such vote will be sought, and any actions in response will be detailed here.

The following table sets out actual voting in respect of the approval of the Directors' Remuneration report and policy in respect of the year ended 31 March 2019:

Resolution	Number of votes cast for	% of votes cast for	Number of votes cast against	% of votes cast against	Total votes cast	Number of votes cast withheld
Directors Remuneration Report	31,825,376	99.09%	293,055	0.91%	32,118,431	Nil
Directors Remuneration Policy	31,825,376	99.09%	292,104	0.91%	32,117,480	Nil

Policy report

Remuneration Committee

The Board has established a Remuneration Committee to determine the remuneration of directors of the Company. The members of the Committee during the year and the prior year were Nicholas O'Shea and Mary Carney until she passed away in November 2019, and then William Glencross. In determining the directors' remuneration, the Committee consulted the Chairman. There have been four meetings of the Committee during the period, 2 before Ms Carney passed away and attended by both her and Mr O'Shea, and 2 since then attended by both Mr Glencross and Mr O'Shea.

Directors' remuneration report (continued)

Policy report (continued)

Policy on directors' remuneration

The policy of the Company on executive remuneration including that for Executive Directors is to reward individual performance and motivate and retain existing Executive Directors so as to promote the best interests of the Group and enhance shareholder value. The remuneration packages for executives and Executive Directors include a basic annual salary, performance related bonus and a share option programme. The remuneration packages for Non-executive Directors include a salary or fee. The Committee has reviewed the policy for the year ahead and has concluded that the key features of the remuneration policy remain appropriate.

In setting Executive Directors' remuneration, the Committee is mindful of the pay and conditions enjoyed by other employees. It considers revisions to their arrangements only when other employees' pay and conditions are also reviewed, and this is always done in the light of market conditions and overall Group performance. However, the Committee does not automatically increase the pay and conditions for directors in line with either inflation or at the same rate that those for other employees may be increased.

Both Executive and Non-executive Directors may accept appointment as directors of other companies and retain any fees paid to them, although directors are required to notify the company of all such appointments and may not accept appointments which would be incompatible with their role with the Group, such as with direct competitors or major suppliers and customers.

Salary and benefits

Executive Directors' salary and benefits packages are determined by the Committee on appointment or when responsibilities or duties change substantially, and are reviewed annually. The last review was undertaken during March 2020 and three of the Executive director's received pay increases and bonuses in line with other employees of the Group. The Committee considers that improved performance should be recognised by achievement of performance bonuses.

Directors' performance bonuses

Both Mr McIlroy and Mr Johnson have contracts which provide for bonuses should the Group achieve profitability, and Mr McIlroy's also provides for a bonus should a complete or partial sale of the Group's toiletries business be achieved. The profit criterion was met in 2020, and as a consequence, provision for payment of the profit related performance bonus has been made in the financial statements, and will be paid as required by the contracts within one month of the approval and publication of these financial statements.

The contract for Mr McIlroy's services as a director provides for a bonus to be paid by the Company to Oratorio Developments Ltd in respect of the Group's net profits before tax at the rate of 12.5% in respect of net profits up to £50,000, 7.5% of net profits between £50,001 and £100,000, and 5% of net profits in excess of £100,000. A further bonus of 10% of the net sale proceeds is also payable to Oratorio Developments Ltd if the Company sells the whole of the toiletries business undertaken by the Company at 16 January 2002 for a price in excess of £1,500,000, or if the Company sells a part of that toiletries business for a price in excess of £500,000 and the net book value of the assets disposed of is less than one-third of the value of the net assets of the Company.

The contract for Mr Johnson's services as a managing director provides for a performance bonus to be paid by the Company to Carty Johnson Limited in respect of the Group's net profits before tax at the rate of 12.5% in respect of net profits up to £50,000, 7.5% of net profits between £50,001 and £100,000, and 5% of net profits in excess of £100,000.

The contracts for Ms Clark, Mr Stevens and Mr Forster all include a Group bonus scheme, where employees are entitled to a bonus of 7.5% of earnings if the Group hits the profit target for the period and additional payments in relation to key performance indicator targets which were partially achieved during the year.

Share option schemes

The policy of the Company is to grant share options to all employees including both Executive and Non-executive Directors as an incentive to enhance shareholder value.

Creightons Plc Annual Report 2020

Directors' remuneration report (continued)

Policy report (continued)

Service contracts

Name of Director	Date of service contract	Date contract last amended	Notice period
WO McIlroy (chairman's contract)	6 Feb 2003	1 Apr 2020	12 months
WO McIlroy (director's contract with employer)	16 Jan 2002	1 Apr 2020	12 months
BJM Johnson (director's contract)	16 Jan 2002	1 Apr 2020	12 months
BJM Johnson (manager's contract with employer)	16 Jan 2002	1 Apr 2020	12 months
MT Carney (non-executive)	29 Nov 1999	1 Mar 2019	3 months
NDJ O'Shea (non-executive)	5 Jul 2001	1 Apr 2020	3 months
WT Glencross (non-executive)	31 Jul 2005	1 Apr 2020	3 months
P Clark (Global Sales & Marketing Director)	9 Feb 2015	1 Apr 2020	3 months
M Stevens (Deputy Managing Director)	9 Feb 2015	1 Apr 2020	3 months
P Forster (Group Finance & Commercial Director)	9 Feb 2015	1 Apr 2020	3 months

It is the Company's policy that service contracts for the directors are for an indefinite period, terminable by either party with a maximum period of notice of either 3 months or 12 months. Any payments in lieu of notice should not exceed the director's salary or fees for the unexpired term of the notice period. Within that policy, information relating to individual directors is scheduled above.

The fees for Non-executive Directors are reviewed annually and determined in the light of market practice and with reference to the time commitment and responsibilities associated with each Non-executive Director's role and responsibilities.

The Board as a whole considers the policy and structure for the Non-executive Directors' fees on the recommendation of the Chairman. The Non-executive Directors do not participate in discussions on their specific levels of remuneration.

Non-executive Directors may not participate in any personal performance bonus, and are not eligible for pension contributions. The fees paid for Non-executive Directors consist of a flat annual fee based on the involvement each is anticipated to be required to commit to the Group, and both the time commitments and fee basis are reviewed annually. Any additional time commitments over these are paid on a pro rata per diem basis. The fees paid for the chairman and Non-executive directors also include an element of profit-related bonus based on the overall performance of the Company and for the Chairman of sales value related bonus for the disposal of all or parts of the toiletries business.

Approval

In the opinion of the Remuneration Committee, the Company has complied with Section D of the Code, and in forming the remuneration policy the Committee has given full consideration to that section of the Code.

The Directors' Remuneration Report was approved by the Board of Directors on 1 September 2020 and signed on its behalf by:



Mr Paul Forster
Group Finance & Commercial Director

Directors' responsibilities statement

The directors whose names and functions are set out on page 69 of this document are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

UK company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of International Accounting Standards regulation and have also chosen to prepare the parent company financial statements under IFRS as adopted by the European Union. Under UK company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for maintaining proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act 2006 and Article 4 of International Accounting Standards regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement pursuant to DTR4 – Periodic Financial Reporting

Each of the directors confirms that to the best of their knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that they face; and
3. the report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Creightons Plc Annual Report 2020

Independent auditor's report to the members of Creightons plc

We have audited the financial statements of Creightons Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2020 which comprise the consolidated and company income statements, consolidated and company statements of comprehensive income, consolidated and company balance sheets, consolidated and company statements of changes in equity, the consolidated and company cash flow statements and the related notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's profit and the Parent Company's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation set out on page 7 in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement set out on page 10 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 15 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition (note 4)

The Group recognises revenue from the sale of goods when control has been transferred to the customer (note 2).

There is a risk that revenue due to the Group has been overstated in order to improve the performance and position of the Group to meet expectations of stakeholders, especially for transactions around the reporting date. This is effectively the risk that the revenue reported is inaccurate, inflated or has been recognised in the wrong period.

In response to the key audit matter:

- We tested a sample of transactions recorded in the nominal ledger through to sales invoices, customer order forms and customer signed goods delivery notes, to check that revenue had been appropriately recorded at the right time;
- We tested a sample of credit notes issued after the reporting date to gain assurance that those relating to sales made in the year accounted for;
- For material sales made around the reporting date, we assessed that they had been recorded in the correct period through review of invoices, order forms and date of delivery;
- We agreed cash received post year to the related sales to assess whether revenue recognised, but not settled at the reporting date exists; and
- We reviewed journals associated with revenue and inspected supporting documentation for any entries outside the usual invoicing process.

Key observations:

Based on the work performed we did not identify any issues with revenue recognition and consider that it has been recognised in accordance with the Group's revenue recognition accounting policy.

Independent auditor's report to the members of Creightons plc (continued)

Key audit matters (continued)

Valuation of Inventory (note 18)

The Group records inventories at the lower of cost or net realisable value (note 3).

There is a risk that inventory is overstated due to managements judgement on potentially obsolete, damaged and slow moving items in determining the net realisable value.

In response to the key audit matter:

- For a sample of inventory assets, we compared the valuation at the reporting date to purchase cost and sale proceeds after the reporting date to check inventory is carried at the lower of cost and net realisable value; and
- We critically assessed the principles and integrity of the inventory provision model, considering the impact due to Covid-19 on the preparation.

Key observations:

We considered management's judgement on the level of provisioning to be reasonable and considered the disclosures in the financial statements to be appropriate.

Existence of Inventory

Due to Covid-19 access restrictions, stock takes were not performed at all client locations at the reporting date.

There is a risk that inventory is over or understated.

In response to the key audit matter:

- We attended the raw materials year end stocktake and tested a sample of balances from stock records to physical verification;
- We tested a sample of goods received notes and goods dispatched notes around the reporting date for finished goods to vouch inclusion or exclusion from the year-end inventory figure;
- We attended a stock take after the reporting date for finished goods to test the existence of inventory and tested the reconciliation of the stock movements post year end to the inventory balance at the reporting date through review of goods dispatched and goods received notes.

Key observation:

No issues arose from our work that suggested that inventory was over or understated

Significant transactions with related parties outside the normal course of business

Creightons Plc acquired a property for £3,800,000 on 16 October 2019 from a related party (note 31).

A significant transaction with a related party outside the normal course of business creates a significant fraud risk if the price paid for the property is inappropriate.

In response to the risk:

- We compared the acquisition price to the external valuation and evaluated the independence and competence of the external valuer; and
- We reviewed the suitability of the methodology and key assumptions in the valuation

Key observation:

No issues arose from our work that suggested that the price paid for the property was materially misstated.

Going Concern

The financial statements have been prepared on the going concern basis (note 2).

The Group's forecast cash flows for the two year period to 31 March 2022 contain assumptions over revenue, profitability and cash generation. With potential Covid-19 restrictions over the Group's operations, the risk of incorrect going concern basis of accounting is considered to have significantly increased.

In response to the risk:

- We assessed the appropriateness of the cash flow forecasts in the context of the Group's 2020 financial position and impact on Group operations due to Covid-19.
- We evaluated the key assumptions in the forecasts and considered whether these appeared reasonable, for example the impact of Covid-19 assessment and whether these had been appropriately reflected in the model;
- We considered the potential downside scenarios and the resultant impact on available funds; and
We reviewed the disclosures provided relating to the going concern basis of preparation and its consistency with the Directors' assessment and audit evidence obtained.

Key observation:

Our conclusions on going concern are set out in the "conclusions relating to principal risks, going concern and viability statement" section above.

Independent auditor's report to the members of Creightons plc (continued)

Our application of materiality

We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of misstatements and omissions on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the level of misstatement, including omissions that could influence the economic decisions of a reasonably knowledgeable user of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined the materiality for the Group financial statements as a whole to be £178,000 (2019: £143,000), calculated with reference to a benchmark of 5% of profit before tax (2019: 5%). In addition, we set a Parent Company materiality of £54,000 (2019: £54,000) based on net assets of which it represents 2% (2019: 2%).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 70% of the materiality for the Group and Company financial statements as a whole (2019: between 67.5% and 45%), based upon our assessment of expected misstatements and managements attitude towards posting proposed adjustments

Each significant component of the Group was audited to a lower level of materiality which is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes used during the audit. Component materiality ranged from £36,000 to £177,000.

We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of £3,560 being 2% of the materiality for the financial statements as a whole. We also agreed to report differences below this threshold that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

As part of planning our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. We considered the risk of the financial statements being misstated or not prepared in accordance with the underlying legislation or applicable accounting standards. As part of this assessment, we allocated performance materiality to determine our audit scope for the Group. We then directed our work towards areas of the financial statements which we assessed as having the highest risk of containing material misstatements.

We also documented and reviewed the Group's systems, primarily to confirm that they form an adequate basis for the preparation of the financial statements, but also to identify the controls operated to ensure the completeness and accuracy of the data.

The Group operates through four trading subsidiary undertakings. Two of these, Potter & Moore Innovations Limited and Potter & Moore Devon Limited, were considered to be significant components for the purposes of the Group financial statements. The financial statements consolidate these entities together with a number of dormant subsidiary undertakings as set out in note 17. In establishing our overall approach to the Group audit, we determined the type of work that needed to be performed in respect of each subsidiary. The significant components of the Group were subject to a full scope audit. For non-significant components, we tested and examined information using both analytical procedures and tests of detail, to the extent necessary to provide us with a reasonable basis to draw conclusions. These procedures gave us the evidence that we needed for our opinion on the Group's financial statements as a whole and, in particular, over the risks of material misstatement mentioned in the key audit matters section above. All of the work was carried out by the group auditor.

Extent to which the audit is capable of detecting irregularities, including fraud

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

As part of the audit we considered the Group's compliance laws and regulations that have a direct impact on the financial statements and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

In particular:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and Parent Company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS EU, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations.
- We gained an understanding of how the Group and Parent Company are complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, and review of any correspondence received from regulatory bodies.
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We considered the controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those controls. Where the risk of fraud was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified. Our procedures included journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business and focused testing, as referred to in the key audit matters section above.

Independent auditor's report to the members of Creightons plc (Continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information; we are required to report that fact.

We have nothing to report in this regard. In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 26 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 18 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on pages 16 to 18 – the parts of the Directors' statement required under the Listing Rules relating to the Parent Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Creightons Plc Annual Report 2020

Independent auditor's report to the members of Creightons plc (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Directors on 4 February 2020 to audit the financial statements for the year ending 31 March 2020. We were originally appointed by the Directors of the Parent Company in 2000.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 20 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Fenner, (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 1 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Creightons Plc Annual Report 2020

Consolidated income statement

		Year ended 31 March 2020	Year ended 31 March 2019
	Note	£000	£000
Revenue	4,5	47,808	44,030
Cost of sales		(27,625)	(26,690)
Gross profit		20,183	17,340
Distribution costs		(2,447)	(2,204)
Administrative expenses		(13,982)	(12,236)
Operating profit	6	3,754	2,900
Profit on disposal of subsidiary	8	11	-
Finance costs	9	(213)	(31)
Profit before tax		3,552	2,869
Taxation	10	(384)	22
Profit for the year from operations attributable to the equity shareholders of the parent Company		3,168	2,891

Consolidated statement of comprehensive income

		Year ended 31 March 2020	Year ended 31 March 2019
		£000	£000
Profit for the year		3,168	2,891
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations		21	-
Other comprehensive income for the year		21	-
Total comprehensive income for the year attributable to the equity shareholders of the parent		3,189	2,891

Dividends

		Year ended 31 March 2020	Year ended 31 March 2019
	Note		
Paid in year (£000)	11	347	233
Paid in year (pence per share)	11	0.55p	0.38p
Proposed (£000)		324	253
Proposed (pence per share)		0.50p	0.40p

Earnings per share

		Year ended 31 March 2020	Year ended 31 March 2019
	Note		
Basic	12	4.99p	4.69p
Diluted	12	4.34p	4.16p

Creightons Plc Annual Report 2020

Company income statement

		Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
	Note		
Revenue			
Rental income		162	-
Total revenue		162	-
Administration cost		(119)	-
Operating costs		43	-
Income from subsidiary		347	233
Profit on disposal of subsidiary	8	11	-
Finance costs	9	(51)	-
Profit before tax		350	223
Taxation	10	(19)	-
Profit for the year attributable to the equity shareholders		331	233

Company statement of comprehensive income

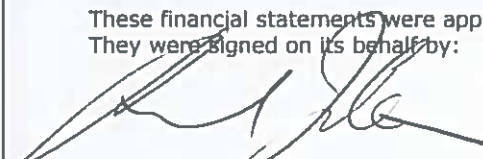
		Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Profit for the year		331	233
Total comprehensive income for the year		331	233

Creightons Plc Annual Report 2020

Consolidated balance sheet

		31 March 2020	31 March 2019
	Note	£000	£000
Non-current assets			
Goodwill	13	331	331
Other intangible assets	14	971	418
Property, plant and equipment	15	5,956	2,363
Right-of-use assets	16	1,120	-
		8,378	3,112
Current assets			
Inventories	18	7,394	8,015
Trade and other receivables	19	8,867	8,280
Cash and cash equivalents	20	3,670	349
		19,931	16,644
Total assets		28,309	19,756
Current liabilities			
Trade and other payables	22	8,016	6,339
Obligations under leases	23, 24	193	40
Borrowings	25	713	732
		8,922	7,111
Net current assets		11,009	9,533
Non-current liabilities			
Deferred tax liability	33	29	25
Obligations under leases	23, 24	976	154
Borrowings	25	2,816	-
		3,821	179
Total liabilities		12,743	7,290
Net assets		15,566	12,466
Equity			
Share capital	26	647	625
Share premium account		1,406	1,329
Other reserves		25	25
Translation reserve		21	-
Retained earnings		13,467	10,487
Total equity attributable to the equity shareholders of the parent Company		15,566	12,466

These financial statements were approved by the board of directors and authorised for issue on 1 September 2020. They were signed on its behalf by:



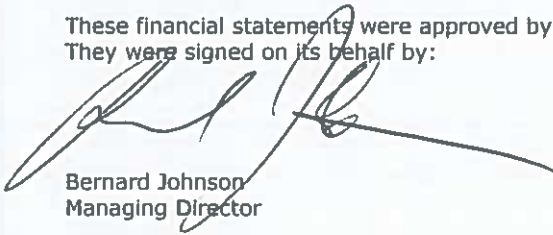
Bernard Johnson
Managing Director

Creightons Plc Annual Report 2020

Company balance sheet

		31 March 2020	31 March 2019
	Note	£000	£000
Non-current assets			
Investment in subsidiaries	17	60	60
Investment property	15	3,941	-
		4,001	60
Current assets			
Trade and other receivables	19	1,761	2,614
		1,761	2,614
Total assets		5,762	2,674
Current liabilities			
Trade and other payables	22	65	35
Borrowings	25	159	-
		224	35
Net current assets		1,537	-
Non-current liabilities			
Borrowings	25	2,816	-
		2,816	-
Total liabilities		3,040	35
Net assets		2,722	2,639
Equity			
Share capital	26	647	625
Share premium account		1,406	1,329
Capital redemption reserve		18	18
Retained earnings		651	667
Total equity attributable to the equity shareholders		2,722	2,639

These financial statements were approved by the board of directors and authorised for issue on 1 September 2020. They were signed on its behalf by:



Bernard Johnson
Managing Director

Company registration number 1227964

Creightons Plc Annual Report 2020

Consolidated statement of changes in equity

	Share capital (note 26)	Share premium account	Other reserves	Translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2018	607	1,262	25	-	7,711	9,605
Comprehensive income for the year						
Profit for the year	-	-	-	-	2,891	2,891
Total comprehensive income for the year	-	-	-	-	2,891	2,891
Contributions by and distributions to owners						
Exercise of options	18	67	-	-	-	85
Share-based payment charge (note 27)	-	-	-	-	69	69
Deferred tax through Equity (note 10)	-	-	-	-	49	49
Dividends (note 11)	-	-	-	-	(233)	(233)
Total contributions by and distributions to owners	18	67	-	-	(115)	(30)
At 31 March 2019	625	1,329	25	-	10,487	12,466
Comprehensive income for the year						
Profit for the year	-	-	-	-	3,168	3,168
Exchange differences on translation of foreign operations	-	-	-	21	-	21
Total comprehensive income for the year	-	-	-	21	3,168	3,189
Contributions by and distributions to owners						
Exercise of options	22	77	-	-	-	99
Share-based payment charge (note 27)	-	-	-	-	133	133
Deferred tax through Equity (note 10)	-	-	-	-	26	26
Dividends (note 11)	-	-	-	-	(347)	(347)
Total contributions by and distributions to owners	22	77	-	-	(188)	(89)
At 31 March 2020	647	1,406	25	21	13,467	15,566

Creightons Plc Annual Report 2020

Company statement of changes in equity

	Share capital (note 26)	Share premium account	Capital redempti on reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 April 2018	607	1,262	18	667	2,554
Comprehensive income for the year					
Profit for the year	-	-	-	233	233
Total comprehensive income for the year	-	-	-	233	233
Contributions by and distributions to owners					
Exercise of options	18	67	-	-	85
Dividends paid (note 11)	-	-	-	(233)	(233)
Total contributions by and distributions to owners	18	67	-	(233)	(148)
At 31 March 2019	625	1,329	18	667	2,639
Comprehensive income for the year					
Profit for the year	-	-	-	331	331
Total comprehensive income for the year	-	-	-	331	331
Contributions by and distributions to owners					
Exercise of options	22	77	-	-	99
Dividends paid (note 11)	-	-	-	(347)	(347)
Total contributions by and distributions to owners	22	77	-	(347)	(248)
At 31 March 2020	647	1,406	18	651	2,722

Creightons Plc Annual Report 2020

Consolidated cash flow statement

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Profit from operations	3,754	2,900
Adjustments for:		
Depreciation on property, plant and equipment	615	489
Depreciation on right of use assets	192	-
Amortisation of intangible assets	555	514
Loss on disposal of property, plant and equipment	-	6
Share based payment charge	133	69
	5,249	3,978
Decrease/(increase) in inventories	621	(2,516)
Increase in trade and other receivables	(759)	(442)
Increase in trade and other payables	1,501	297
Cash generated from operations	6,612	1,317
Taxation paid	(6)	(328)
Net cash generated from operating activities	6,606	989
Investing activities		
Purchase of property, plant and equipment	(4,631)	(1,026)
Proceeds from sale and lease back	238	-
Purchase of intangible assets	(1,103)	(583)
Proceeds of disposal on investments	11	-
Net cash used in investing activities	(5,485)	(1,609)
Financing activities		
Proceeds on issue of shares	99	85
Proceeds from sale and lease back (IAS 17)	-	198
Principal paid on lease liabilities (2019 – principal paid on finance leases)	(157)	(4)
Interest on leases liabilities (2019: interest on finance leases)	(146)	(1)
Interest paid on mortgage loan	(51)	-
Interest paid on overdrafts and loans	(16)	(31)
(Decrease)/increase in invoice financing facilities	(398)	398
Increase/(decrease) of borrowings	220	(413)
Draw down of loan facility	3,040	-
Repayment on loan facility	(65)	-
Dividends paid to owners of the parent	(347)	(233)
Net cash generated from / (used in) financing activities	2,179	(1)
Net increase / (decrease) in cash and cash equivalents	3,300	(621)
Cash and cash equivalents at start of year	349	968
Effect of foreign exchange rate changes	21	2
Cash and cash equivalents at end of year	3,670	349

Creightons Plc Annual Report 2020

Company cash flow statement

		Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
	Note		
Profit from operations		43	-
		43	-
Adjustments for:			
Depreciation on property, plant and equipment		97	-
		140	-
Decrease/(increase) in trade and other receivables		853	(85)
Increase in trade and other payables		11	-
Net cash generated/(used in) from operating activities	32	1,004	(85)
Investing activities			
Purchase of property, plant and equipment		(4,038)	-
Dividend received		347	233
Proceeds of disposal on investments		11	-
Net cash (used in) /generated from investing activities		(3,680)	233
Financing activities			
Proceeds of share issue		99	85
Draw down of loan facility		3,040	-
Repayment on loan facility		(65)	-
Interest paid on mortgage loan		(51)	-
Dividends paid to owners of the parent		(347)	(233)
Net cash generated from / (used in) financing activities		2,676	(148)
Net change in cash and cash equivalents		-	-
Cash and cash equivalents at start of year		-	-
Cash and cash equivalents at end of year		-	-

Notes to the financial statements

1. General information

Creightons Plc (the Company) is incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 69; it is a public company, with a premium listing on the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 5 to 11.

These Financial Statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with IFRS adopted by the European Union, Companies Act 2006 and the Group financial statements comply with Article 4 of the EU IAS regulations.

The financial statements have also been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

Adoption of new and revised accounting standards

New standards impacting on the Group have been adopted in its financial statements for the year ended 31 March 2020 and have given rise to changes in the Group's accounting policies are:

- IFRS 16, Leases
- IFRIC 23, Uncertainty over Income Tax Treatments.

Detail of the impact the two standards have had are given in note 34.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The Group does not expect any of the standards issued by the IASB, but not yet effective, to have a material impact on the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), made up to the 31 March each year, as set out in note 17. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Going concern

Whilst the Group has faced a number of challenges since the outbreak of Covid-19 and has incurred significant costs associated with managing the risks associated with Covid-19, it has also found opportunity to deliver product types currently in demand by consumers, industry and Health Care providers. Trading in the 2021 financial year is ahead of 2020, which has enabled the Group to absorb the increased costs and risks associated with the pandemic.

The Group continues to meet its debt obligations and expects to operate comfortably within its available borrowing facilities in the 2021 and 2022 financial periods from its amended cash flow forecasts.

The directors have therefore formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being at least twelve months from the date of this report. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements

2 Significant accounting policies (continued)

Business combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred to the Group, less liabilities incurred in exchange for control of the entity acquired. Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired entity, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the fair value of the acquirer's previously held interests in the acquired entity (if any), the excess is recognised immediately in profit or loss as a purchase gain.

Goodwill and intangible assets with indefinite lives

Goodwill and intellectual property is initially recognised and measured as set out above.

These assets are not amortised but are reviewed for impairment at least annually. For the purposes of impairment testing, these assets are allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversible in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition - Group

The Group's revenue is generated from selling goods and is recognised when control has been transferred to the customer. The passage of control to the customer occurs at point of collection for those customers arranging onward shipment or at point of delivery where transport is arranged by the Group. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, has a right to payment on agreed terms and it is considered that the Group has satisfied the performance obligation.

Where the Group has entered in to distributor arrangements performance obligation is considered to be satisfied with the distributor from the date of the dispatch from the Company's UK warehouses. Revenue is therefore recognised on the date of dispatch.

Most of the Group's revenue is derived from fixed price agreements with customers and therefore the amount of revenue to be earned from each shipment is determined by reference to those fixed prices.

The recognition through revenue of royalties due to third parties, retrospective rebates and promotional support due to customers which are recognised on an accruals basis in accordance with the actual revenue during the period and the agreed promotional mechanics with customers.

Practical exemptions

The Group has taken advantage of the practical exemptions not to account for significant financing components as all customer payment terms mean the time difference between receiving consideration and transferring control of goods to its customer is one year or less.

Notes to the financial statements

2. Significant accounting policies (continued)

Revenue recognition – Company

The Company's revenue represents rental income on its Investment Property. Revenue is recognised across the period of the agreements in place.

Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identifiable asset,
- The Group obtains substantially all of the economic benefits from the use of the asset, and
- The Group has the right to direct the use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not treated as giving rise to a lease.

In determining whether the Group obtains substantially all of the economic benefits from the use of the asset, the Group considers only the economic benefits that arise from the use of the assets, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct the use of the assets, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of the contract does not satisfy these criteria, the Group applies other applicable IFRS rather than IFRS 16.

All leases are accounted for by recognising a right of use asset and a lease liability except for;

- leases of low value assets, and
- leases with a duration of 12 months or less.

IFRS 16 was adopted on 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied at 1 April 2019, see Note 34. The following policies apply subsequent to the initial application on 1 April 2019.

Lease liabilities are measured at present value of the contractual payments due to the lessor over the lease term, with the discount rate is determined by rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Groups incremental borrowing on the commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes;

- amounts expected to be payable under any residual value guarantee,
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option,
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced by any lease incentives received and increased for;

- lease payments made at or before commencement of the lease,
- initial direct costs incurred, and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and reduced for lease payments made. Right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the economic life of the asset if this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because for example, it re-assesses the probability of a lease extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of the lease liabilities is similarly revised when the variable element of future lease payments dependant of a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-to-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-to-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Notes to the financial statements

2. Significant accounting policies (continued)

Leases (continued)

When the Group renegotiates the contractual terms of a lease with a lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for a separate lease in accordance with the above policy,
- in all other cases where the renegotiation increase the scope of the lease (whether it is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount,
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and the right of use asset is reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in the profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and requires services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease. It does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Foreign currencies

The individual financial statements of each group company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of consolidated financial statements, the result and financial position of each group company is presented in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates ruling at that date.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operations, or loss of significant influence over an associate that includes a foreign operation) all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Retirement benefit costs

The Group companies contribute to defined contribution retirement benefit schemes.

Payments to the defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the financial statements

2 Significant accounting policies (continued)

Taxation

The tax expense represents the sum of current tax and deferred tax.

Current tax

Current tax is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items of income or expenditure that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on material differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary timing differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, that tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of the assets less any residual values over their estimated useful lives using the straight-line method on the following basis:

	% per annum
Freehold land and buildings	
• land	0
• buildings	5 - 20
Plant and machinery	10 - 20
Fixtures and fittings	10 - 20
Computers	20 - 33

The estimated useful lives, residual values and depreciation method used are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the financial statements

2 Significant accounting policies (continued)

Investment Property – Company only

Investment property is initially measured at cost, including transaction costs associated with the purchase. Subsequently, the asset is recognised at cost less accumulated depreciation and impairment.

Depreciation is charged so as to write off the cost of the Investment Property over its estimated useful life using the straight-line method. The useful economic life is considered to be 20 years.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

In accordance with IAS 38 Intangible Assets, internally generated intangible assets will be capitalised;

- where a project has entered the development phase and is sufficiently self-contained that the expected future economic benefits can be traced to those assets developed in the project;
- it is probable that the future economic benefits that are attributable to those assets will flow to the Group; and
- the costs of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives of up to two years. Where no internally generated intangible assets can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets acquired separately

Other intangible assets are carried at cost less accumulated amortisation and accumulated annual impairment. Amortisation begins when an asset is available for use and is calculated on a straight-line basis over its estimated useful life as follows:

Computer software	- Over three to five years
Product development costs	- Over two years

The acquired brand has been recognised as an intangible asset with an indefinite life, as has been acquired as a long term investment. An intangible asset with an indefinite life is not amortised, but its useful life is reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. The asset is assessed for impairment in accordance with IAS 36.

Impairment of tangible and other intangible assets

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

Investments

Investments in subsidiary companies are stated at cost less any recognised impairment loss.

Inventories

Inventories are stated at the lower of cost or net realisable value. The standard cost comprises direct materials and where applicable direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using standard costing and on FIFO basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Notes to the financial statements

2 Significant accounting policies (continued)

Financial assets

The Group classifies all of its financial assets as to be held at amortised cost as the assets of the Group arise principally from the provision of goods to customers.

The Group's financial assets measured at amortised cost comprise trade and other receivables, and cash and cash equivalents in the consolidated statement of financial position. For the Company, this would also comprise amounts owned by group companies.

Trade receivables are initially recognised at fair value. New impairment requirements use an expected credit loss model to recognise an allowance. For receivables a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available and has been adopted by the Group. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being reported within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents include cash in hand, demand deposits and surplus invoice financing amounts, and represent cash in the balance sheet and in the cashflow statement. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position and are treated as financing transactions.

For the Company, impairment provisions for receivables from group companies are recognised, based on a forward looking expected credit loss method. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

Financial liabilities

Financial liabilities are recognised in the Group's balance sheet when the Group becomes party to a contractual provision of the instrument.

Trade payables, overdrafts, invoice finance facilities and other short-term liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective rate method.

Bank Loans

Bank loans are initially recognised at fair value net of any transaction costs attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based payments are set out in note 27.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each balance sheet date the Group revises its estimate of the number of shares expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimate, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The replacement of equity-settled share-based payments during the vesting period are measured at the incremental fair value. The measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest is expensed on a straight line basis over the modified vesting period, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

Sale and leaseback

When the Group has undertaken a sale and lease back transaction, the Group must determine whether the transfer qualifies as a sale. This determination is based on the requirements for satisfying a performance obligation in IFRS 15 'Revenue from Contracts with Customers'. The leaseback is then accounted for under the lessee accounting model.

Notes to the financial statements

2 Significant accounting policies (continued)

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the parent Company by the weighted average number of ordinary shares during the year adjusted for the potentially dilutive ordinary shares.

Dividends

Dividends are recognised when they are legally payable. Interim dividends are recognised when declared by the directors. Final dividends are disclosed when approved by the shareholders at the general meeting.

Share capital and share Premium

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

3 Critical accounting judgements and sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill - Determining whether goodwill is impaired requires a judgement of the value in use of the cash-generating unit to which goodwill is allocated. The value in use requires the entity to estimate the future economic benefit. No impairment provision was considered necessary against this carrying value.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of product development costs - Management review the recoverability of capitalised product development costs throughout the year and will charge amortisation to reflect any impairment arising from a reduction in the anticipated lifecycle of the products. At the reporting date the value of capitalised product development costs was £369,000 (2019: £336,000) and all products were considered to have product lifecycles which were in line with the accounting policies noted in 2 above and producing positive contributions to the Group.

Expected credit losses - The Group measures expected credit losses on a collective basis trade receivables grouping them based on similar credit risk and aging. The expected loss rates are based on the Group's historical credit losses, adjusting for the knowledge of the Group's customers. The value of trade receivables is £8,628,000, (2019: £7,862,000), net of provisions of £22,000 (2019: £29,000). Post year-end receipts support these estimates.

Inventory provision - A judgement is required in determining the value of any provisions held against inventory. In determining this provision, the directors have made a judgement based on the historic realisable value of finished products and made provision for all raw materials with no current demand. The inventory value is £7,394,000 (2019: £8,015,000). This is net of provision for residual inventories, which has historically proved to be realistic.

Creightons Plc Annual Report 2020

Notes to the financial statements

4 Revenue

All of the Group's revenue is derived from the sale of goods. The following is a disaggregation of the Group's revenue for the year ended 31 March 2020

	Year ended 31 March	Year ended 31 March
	2020	2019
	£000	£000
Sales of goods	48,402	44,601
Settlement discounts	-	(85)
Contracted retailer commitments	(252)	(181)
Royalties & commissions	(21)	(81)
Retailer promotional support	(321)	(224)
Revenue	47,808	44,030

5 Business and geographic segments

In the year ended 31 March 2020, the Group had three customers that exceeded 10% of total revenue, being £8.2m, £6.2m and £5.1m (2019: two customers being £6.7m and £6.1m).

The Group makes sales under own brand, private label and contract manufacturing. These are the same or similar products often sold to the same customers using the same manufacturing facility. The Group therefore considers there to be only one operating segment when providing information for management review.

Revenues from external customers

	Year ended 31 March	Year ended 31 March
	2020	2019
	£000	£000
UK	40,630	39,025
Overseas	7,178	5,005
Total	47,808	44,030

There are no non-current assets held overseas.

Creightons Plc Annual Report 2020

Notes to the financial statements

6 Operating profit

Operating profit for the Group is stated after charging:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Net foreign exchange loss	179	15
Cost of inventories recognised as expense	27,730	26,675
Write downs of inventories recognised as an expense	285	162
Research and development costs	579	533
Depreciation of property plant and equipment		
- Owned assets	615	450
- Leased assets	-	39
Depreciation of right-of-use assets	198	-
Loss on disposal of property plant and equipment	-	6
Amortisation of intangible assets (included in administrative expenses)	555	514
Staff costs (note 7)	12,360	10,863
Auditor's remuneration	74	65
Operating lease rental expense		
- Land & buildings	-	510
- Other	-	61

The analysis of Group's auditor's remuneration is as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Audit services		
Fees payable to the Company's auditor for the audit of the parent company and the consolidated financial statements	47	41
Fees payable to the company's auditor for other services:		
The audit of the company's subsidiaries, pursuant to legislation	27	24

Operating profit for the Company is stated after charging:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Depreciation of property plant and equipment		
- Owned assets	97	-

Creightons Plc Annual Report 2020

Notes to the financial statements

7 Staff costs

The average number of employees (including directors) was:

	Year ended 31 March 2020 Number	Year ended 31 March 2019 Number
Management	9	9
Administration	107	99
Production	324	310
Total	440	418

Their aggregate remuneration comprised:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Wages and salaries	10,889	9,702
Social security costs	1,041	891
Pension contributions	297	201
Share based payment charge	133	69
Total	12,360	10,863

Details of the emoluments of directors', who are the key management personnel of the Group, are set out in the directors' remuneration report.

The parent company had no staff costs and employees in the year ended 31 March 2020 (2019: nil).

8. Profit on disposal of Subsidiary

On 13 August 2019, the Group sold its 55% interest in the equity of Amie Skincare Ltd for a cash consideration of £15,000. The pre-tax gain on disposal was determined as follows:

	Group		Company	
	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
	Cash consideration received	15	-	15
Disposal costs	(4)	-	(4)	-
Total	11	-	11	-

9. Finance costs

	Group		Company	
	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
	Interest on bank overdrafts and loans	16	30	-
Interest on mortgage	51	-	51	-
Interest on lease liabilities (2019: finance leases)	146	1	-	-
Total	213	31	51	-

Creightons Plc Annual Report 2020

Notes to the financial statements

10. Taxation

	Group		Company	
	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2020 £000	2019 £000	2020 £000	2019 £000
Current tax				
Current tax on profit for the year	361	291	19	-
Adjustments in respect of prior years	(7)	(353)	-	-
Total current tax	354	(62)	19	-
Deferred tax (see note 32)				
Originations and reversal of temporary differences	34	47	-	-
Adjustment in respect of prior years	(4)	(7)	-	-
Total deferred tax	30	40	-	-
Total	384	(22)	19	-

The taxation charge/(credit) for the year can be reconciled to the profit per the income statement as follows:

	Group		Company	
	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2020 £000	2019 £000	2020 £000	2019 £000
Profit before taxation	3,552	2,869	350	233
Tax charge at the UK corporation tax rate of 19%	675	545	66	44
Fixed asset differences	(2)	(36)	18	-
Tax effect of expenses that are not deductible in determining taxable profit	27	14	-	-
Income not subject to tax	(2)	-	(65)	(44)
Additional deduction for R&D expenditure	(213)	(178)	-	-
Capital gains	2	-	-	-
Adjustments in respect of prior years	(11)	(359)	-	-
Deferred tax credited directly to retained earnings	25	49	-	-
Adjust closing deferred tax to average rate	-	(3)	-	-
Adjust opening deferred tax to average rate	2	3	-	-
Deferred tax not recognised	29	30	-	-
Tax relief on exercise of share options	(148)	(86)	-	-
Other differences	-	(1)	-	-
Total expense/(income) and effective rate for the year	384	(22)	19	-

In addition to the Group's taxation charge/(credit) to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity. There were no such taxes in the Company.

	Year ended 31 March	Year ended 31 March
	2020	2019
	£000	£000
Deferred tax		
Excess tax deductions related to share-based payments on exercised options	26	49
Total	26	49

Creightons Plc Annual Report 2020

Notes to the financial statements

11 Payments to shareholders

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Final dividend paid – 0.40p (2019: 0.23p) per share	252	139
Interim dividend paid – 0.15p (2019: 0.15p) per share	95	94
Total	347	233

12 Earnings per share

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Earnings		
Net profit attributable to the equity holders of the parent company	3,168	2,891

	Year ended 31 March 2020 Number	Year ended 31 March 2019 Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	63,431,622	61,587,535
Effect of dilutive potential ordinary shares relating to share options	9,507,807	7,888,968
Weighted average number of ordinary shares for the purposes of diluted earnings per share	72,939,429	69,476,503

Earnings per share

Basic	4.99p	4.69p
Diluted	4.34p	4.16p

13 Goodwill

	Year ended 31 March £000
Cost	
At 1 April 2018, 31 March 2019	367
At 31 March 2020	367
Accumulated impairment losses	
At 1 April 2018, 31 March 2019 and 31 March 2020	36
Carrying amount	
At 31 March 2019	331
At 31 March 2020	331

Goodwill at 31 March 2020 related to the Potter & Moore business acquired in March 2003.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Notes to the financial statements

13 Goodwill (Continued)

The recoverable amount is determined from a value in use calculation. The key assumptions used for the value in use calculation are the discount rate, sales and margin projections, expected changes in direct and indirect costs during the five year forecast, a growth rate of 9% and a discount rate of 6%. Using these assumptions there is a sufficient amount of headroom and any significant changes in the assumptions (such as a large fall in growth, or no growth at all) would not lead to an impairment.

The growth rates are based on the average growth rate experienced by the cash generating unit which is in line with historical growth rates for the business sector. The pre-tax discount rate is based upon the Group's weighted average cost of capital adjusted for specific risks relating to the sector and country, as this is believed to be the most appropriate to be used.

14 Other intangible assets

Group

	Computer software	Intellectual property	Product development costs	Brand	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2018	145	10	1,770	-	1,925
Additions	68	-	515	-	583
At 31 March 2019	213	10	2,285	-	2,508
Additions	33	-	562	508	1,103
Reclassified from Property, plant and equipment	5	-	-	-	5
At 31 March 2020	251	10	2,847	508	3,616
Accumulated amortisation					
At 1 April 2018	127	-	1,449	-	1,576
Amortisation for the year	14	-	500	-	514
At 31 March 2019	141	-	1,949	-	2,090
Amortisation for the year	26	-	529	-	555
At 31 March 2020	167	-	2,478	-	2,645
Carrying value					
At 1 April 2018	18	10	321	-	349
At 31 March 2019	72	10	336	-	418
At 31 March 2020	84	10	369	508	971

On 21 June 2019, the Company acquired a skincare brand, for £508,000. The acquisition adds to the Group's growing range of beauty and well-being products contributing £1,164,000 to sales for this year.

Creightons Plc Annual Report 2020

Notes to the financial statements

15 Property, plant and equipment and investment property

Group

	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Computers	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2018	-	4,010	468	127	4,605
Additions	-	876	150	-	1,026
Disposals	-	(7)	-	-	(7)
At 31 March 2019	-	4,879	618	127	5,624
Additions	4,038	372	202	19	4,631
Disposals	-	(46)	-	-	(46)
Disposal on sale and leaseback	-	(242)	-	-	(242)
Reclassification to Right-of-use	-	(219)	-	-	(219)
Reclassification to other intangible assets	-	-	-	(5)	(5)
Reclassification of categories	-	(73)	16	57	-
At 31 March 2020	4,038	4,671	836	198	9,743
Accumulated depreciation					
At 1 April 2018	-	2,454	261	58	2,773
Depreciation for the year	-	400	69	20	489
Disposals	-	(1)	-	-	(1)
At 31 March 2019	-	2,853	330	78	3,261
Depreciation for the year	97	391	102	25	615
Disposals	-	(46)	-	-	(46)
Disposal on sale and leaseback	-	(4)	-	-	(4)
Reclassification to Right-of-use	-	(39)	-	-	(39)
Reclassification of categories	-	(74)	23	51	-
At 31 March 2020	97	3,081	455	154	3,767
Carrying value					
At 1 April 2018	-	1,556	207	69	1,832
At 31 March 2019	-	2,026	288	49	2,363
At 31 March 2020	3,941	1,590	381	44	5,956

Company

	Investment Property £000
Cost	
At 1 April 2018 and 31 March 2019	-
Additions	4,038
At 31 March 2020	4,038
Accumulated depreciation	
At 1 April 2018 and 31 March 2019	-
Depreciation for the year	97
At 31 March 2020	97
Carrying value	
At 1 April 2018 and 31 March 2019	-
At 31 March 2020	3,941

Notes to the financial statements

15 Property, plant and equipment and investment property (continued)

On 16 October 2019, Creighton's Plc acquired the freehold property at Peterborough having occupied the property as a tenant since March 2003 for £3.80m plus stamp duty and professional costs. Based on the proximity of the purchase to the reporting date, the Directors consider that the fair value of the property is not materially different to the cost value. The property has been pledged as security for the long term loan.

Included within property, plant and equipment in 2019 were assets held under finance leases with a carrying value of £180,000 on which depreciation of £39,000 was charged during the year. On adoption of IFRS 16, these assets have been reclassified as right-of-use assets.

Included within property, plant and equipment in 2020 is the disposal of an asset with a carrying value of £238,000 under a sale and leaseback arrangement. On paying the final instalment in 2020, the Group received proceeds from the sale and lease back of the asset of £232,000, which has been recognised as a right-of-use asset and equivalent lease liability.

16 Right-of-use assets

Group

	Leasehold Property £000	Plant and machinery £000	Total £000
Cost			
At 1 April 2019	-	-	-
Recognised on adoption of IFRS 16	764	136	900
Additions	-	232	232
Reclassification from property, plant and equipment	-	219	219
At 31 March 2020	764	587	1,351
Depreciation			
At 1 April 2019	-	-	-
Depreciation for the year	105	87	192
Reclassification from property, plant and equipment	-	39	39
At 31 March 2020	105	126	231
Carrying value			
At 31 March 2019	-	-	-
At 31 March 2020	659	461	1,120

17 Investment in subsidiaries

Company

	Investments £000
Cost	
At 1 April 2018, 31 March 2019 and 31 March 2020	75
Impairment charge	
At 1 April 2018, 31 March 2019 and 31 March 2020	15
Carrying value	
At 1 April 2018, 31 March 2019 and 31 March 2020	60

Creightons Plc Annual Report 2020

Notes to the financial statements

17 Investment in subsidiaries (continued)

Details of the Company's subsidiaries at 31 March 2020 and 31 March 2019 are as follows:

Name	Place of incorporation, registration and operation	Note	Proportion of ownership, interest and voting power held
Potter & Moore Innovations Limited	England	a	100%
Potter and Moore International Inc.	United States of America	b	100%
Potter and Moore (Devon) Limited	England	a	100%
Potter and Moore Pty Ltd	Australia	c	100%
Potter and Moore Limited	Republic of Ireland	d	100%
The Natural Grooming Company Limited	England	a	100%
St James Perfumery Co Limited	England	a	100%
Ashworth & Claire Limited	England	a	100%
The Haircare Studio Limited	England	a	100%
The Real Shaving Company Ltd	England	a	100%
The Hair Design Studio Limited	England	a	100%
Creightons Naturally Limited	England	a	100%
Groomed Limited	England	a	100%
Twisted Sista Limited	England	a	100%
Amie Skincare Limited (until 21 June 2019)	England	a	55%
Potter & Moore International Ltd	England	a	100%
The Herbal Hair Company Ltd	England	a	100%
Curl Therapy Limited	England	a	100%
Feather & Down Limited	England	a	100%
Creighton Services Limited	England	a	100%
The Curl Company Limited	England	a	100%
Creighton Direct Limited	England	a	100%

The registered offices for the subsidiaries are:

- a.) 1210 Lincoln Road, Peterborough PE4 6ND
- b.) 1140 Bay Street Suite 2c, Staten Island, New York, NY10305
- c.) RSM Level 12, 60 Castlereagh Street, Sydney, NSW 2000
- d.) The Black Church, St Mary's Place, Dublin, D07 P4AX

All shareholdings are in ordinary shares.

The activity of Potter & Moore Innovations Limited is the creation and manufacture of toiletries and fragrances. The activity of Potter and Moore International Inc. is a distribution of personal care products. The activity of Potter & Moore (Devon) Limited, was the manufacture and distribution of premium contract brands until 31 December 2019 when it transferred its trade and net assets to Potter and Moore Innovations Limited and then ceased to trade. The range of products included toiletries, fragrances and soaps. The activity of Potter and Moore Pty Ltd is the distribution of personal care products.

All other subsidiaries were dormant throughout the years ended 31 March 2020 and 31 March 2019.

18 Inventories

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Raw materials	3,224	2,775	-	-
Work in progress	835	913	-	-
Finished goods	3,335	4,327	-	-
Total	7,394	8,015	-	-

Inventories with a carrying value of £7,394,000 (2019: £8,015,000) have been pledged as security for the Group's bank overdrafts. Directors believe that net realisable value approximates to fair value.

Creightons Plc Annual Report 2020

Notes to the financial statements

19 Trade and other receivables

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade receivables	8,628	7,690	-	-
Amounts receivable from subsidiaries	-	-	1,754	2,614
Prepayments and other receivables	239	418	7	-
Corporation tax	-	172	-	-
Total	8,867	8,280	1,761	2,614

Trade receivables have been pledged as security for the Group's borrowings under invoice finance facilities and the Group's bank overdrafts.

The carrying value of trade and other receivables represents their fair value. The Group assesses the credit risk for each individual customer and the value of debtors covered by credit insurance at 31 March 2020 was £6,892,000 (2019: £5,462,000). With a further £1,593,000 (2019: £2,356,000) on debtors which the Group consider to be low risk customers, due to their financial standing and market position.

Amounts receivable from subsidiaries are unsecured, interest free and repayable on demand.

Trade receivables have been reported in the balance sheet net of provisions as follows:

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade receivables:				
Current	8,152	7,548	-	-
1 -30 days	353	204	-	-
31 - 60 days	40	31	-	-
61 - 90 days	64	44	-	-
91 + days	41	64	-	-
Less impairment allowance	(22)	(29)	-	-
Total	8,628	7,862	-	-

The movement in the trade receivables impairment provision is as follows:

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
At 1 April	29	5	-	-
(Release)/charge in current year income statement	(7)	24	-	-
At 31 March	22	29	-	-

There were £476,000 (2019: £343,000) of trade receivables that were overdue at the balance sheet date that have not been provided against. There are no indications as at 31 March 2020 that the debtors will not meet their payment obligations in respect of the amount of trade receivables recognised in the balance sheet whether past due or not and not provided. The proportion of trade receivables at 31 March 2020 that were overdue for payment was 6.1% (2019: 4.4%).

The Group uses the simplified approach for trade accounts receivables. The Group considers a financial asset in default when it is unlikely to receive the outstanding contractual amounts in full. The probability of default takes into consideration financial and non-financial information about customers. The consideration is forward-looking and verified using historical credit losses. Trade accounts receivable are assumed to be credit-impaired if it is unlikely that the customer will fulfil its obligations.

Creightons Plc Annual Report 2020

Notes to the financial statements

19 Trade and other receivables (continued)

The impairment allowance for bad debts are calculated using a lifetime expected credit loss model, as set out below, in accordance with IFRS 9. There are no receivables subjected to a significant increase in credit loss. The provision for the year to March 2020 was £8,000 (2019: £5,000).

	Group 2020			Group 2019		
	£000	%	£000	£000	%	£000
Current	8,152	-	-	7,548	-	-
1 -30 days	353	-	-	204	-	-
31 -60 days	40	-	-	31	-	-
61 – 90 days	64	-	-	44	-	-
91 + days	41	53.7	22	64	45.3	29
At 31 March			22			29

20 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity rate of three months or less. The carrying amounts of these assets approximates to their fair value. An analysis of the amounts at the year-end is as follows:

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Cash at bank and in hand	3,116	325	-	-
Sterling equivalent of deposit denominated in Australian dollars	175	13	-	-
Sterling equivalent of deposit denominated in Euros	6	7	-	-
Sterling equivalent of deposit denominated in US dollars	37	-	-	-
Surplus invoice finance balance	336	4	-	-
Total	3,670	349	-	-

The invoice finance facility showed a positive figure due to cash received from customers immediately before the year and not yet transferred to the bank account.

21 Financial instruments and treasury risk management

Credit risk

Trading exposures are monitored by the operational companies against agreed policy levels. Credit insurance with a world leading insurer is employed where it is considered to be cost effective. Non-trading financial exposures are incurred only with the Group's bankers or other institutions with prior approval of the Board of directors.

The majority of trade receivables are with retail customers. The maximum exposure to credit risk is represented by the carrying amount of those financial assets in the balance sheet.

Impairment provisions on trade receivables have been disclosed in note 19.

Interest rate risk

The Group also secured a fixed rate mortgage for a 15 year term secured on the property with an interest rate of 3.04% fixed for the first 10 years of the loan, therefore reducing the risk to interest rate risk.

The Group finances its operations through a mixture of debt associated with working capital facilities and equity. The Group is exposed to changes in interest rates on its floating rate working capital facilities. The variability and scale of these facilities is such that the Group does not consider it cost effective to hedge against this risk.

Notes to the financial statements

21. Financial instruments and treasury risk management (continued)

Interest rate sensitivity

The interest rate sensitivity is based upon the Group's borrowings over the year assuming a 1% increase or decrease which is used when reporting interest rate risk internally to key management personnel.

A 1% increase in bank base rates would reduce Group pre-tax profits by £9,000 (2019: £7,000). A 1% decrease would have the opposite effect. The Group's sensitivity to interest rates has not changed during the current year.

Foreign currency risks

The Group is exposed to foreign currency transaction and translation risks.

Transaction risk arises on income and expenditure in currencies other than the functional currency of each group company. The magnitude of this risk is relatively low as the majority of the Group's income and expenditure are denominated in the functional currency. Approximately 3% (2019: 2%) of the Group's income is denominated in US dollars and 2% (2019: 2%) in Euros. Approximately 2% (2019: 1%) of the Group's expenditure is denominated in US dollars and 6% (2019: 7%) in Euros.

Foreign currency sensitivity

A 5% strengthening of sterling would result in a £22,000 (2019: £46,000) reduction in profits and equity. A 5% weakening in sterling would result in a £25,000 (2019: £50,000) increase in profits and equity.

When appropriate the Group utilises currency derivatives to hedge against significant future transactions and cash flow. There were no outstanding contracts as at 31 March 2019 or 31 March 2020.

Cash flow and liquidity risk

The Group manages its working capital requirements through overdrafts and invoice finance facilities. These facilities were renewed in March 2020 for a further 12 months. The maturity profile of the committed bank facilities is reviewed regularly and such facilities are extended or replaced well in advance of their expiry. The Group has complied with all of the terms of these facilities. At 31 March 2020 the Group had available £6,160,000 (2019: £4,744,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group has also secured a fixed rate mortgage for a 15 year term secured on the property with an interest rate of 3.04% fixed for the first 10 years of the loan.

Financial assets

Financial assets are included in the Statement of financial position within the following headings. These are valued at amortised cost and are detailed below.

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade and other receivables	8,628	7,862	1,754	2,614
Cash and cash equivalents	3,670	349	-	-
Total	12,298	8,211	1,754	2,614

Creightons Plc Annual Report 2020

Notes to the financial statements

21. Financial instruments and treasury risk management (continued)

Financial liabilities

Financial liabilities are included in the Statement of financial position within the following headings. These are valued at amortised cost and are detailed below.

Year ended 31 March 2020

	Group				
	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
	£000	£000	£000	£'000	£000
Trade payables	5,063	-	-	-	5,063
Accruals	1,441	-	-	-	1,441
Obligations under leases	96	97	793	183	1,169
Overdraft and invoice financing	554	-	-	-	554
Loan	79	80	702	2,114	2,975
Total	7,233	177	1,495	2,297	11,202

Year ended 31 March 2019

	Group				
	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
	£000	£000	£000	£'000	£000
Trade payables	4,459	-	-	-	4,459
Accruals	1,441	-	-	-	1,441
Obligations under finance leases	20	20	154	-	194
Overdraft and invoice financing	732	-	-	-	732
Total	6,652	20	154	-	6,826

The following is the maturity analysis of the undiscounted cash flows:

Year ended 31 March 2020

	Group				
	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Total
	£000	£000	£000	£000	£'000
Trade payables	5,063	-	-	-	5,063
Accruals	1,441	-	-	-	1,441
Obligations under leases	114	114	759	200	1,187
Overdraft and invoice financing	554	-	-	-	554
Loan	124	125	1,062	3,014	4,325
Total	7,296	239	1,821	3,214	12,570

Year ended 31 March 2019

	Group				
	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Total
	£000	£000	£000	£000	£'000
Trade payables	4,459	-	-	-	4,459
Accruals	1,441	-	-	-	1,441
Obligations under finance leases	23	23	166	-	212
Overdraft and invoice financing	732	-	-	-	732
Total	6,655	23	166	-	6,844

Creightons Plc Annual Report 2020

Notes to the financial statements

22 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade payables	5,063	4,459	-	-
Social security and other taxes	1,336	849	-	-
Accrued expenses	1,441	1,031	11	-
Amounts payable to subsidiary undertakings	-	-	35	35
Corporation tax payable	176	-	19	-
Total	8,016	6,339	65	35

The directors consider the carrying amount of trade payables approximates to fair value.

Amounts payable to subsidiary undertakings are unsecured, interest free and repayable on demand.

23 Obligations under finance leases

	Minimum lease payments			
	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts payable under finance leases				
Within one year	-	40	-	-
Between two to five years	-	154	-	-
Total minimum lease payments	-	194	-	-

All lease obligations are denominated in sterling and the fair value of the Group's lease obligations approximate to their carrying value.

The Group's obligation under finance leases are secured by the lessor's rights over the leased assets.

24 Leases liabilities

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts payable under leases				
Within one year	193	-	-	-
Between two to five years	793	-	-	-
After five years	183	-	-	-
At 31 March 2020	1,169	-	-	-

	Group		
	Leasehold property	Plant and machinery	Total
	£000	£000	£000
Restatement at 1 April 2019 (note 34)	764	136	900
Reclassification from obligations under finance leases	-	194	194
New lease	-	232	232
Interest expense	89	57	146
Lease payments	(160)	(143)	(303)
At 31 March 2020	693	476	1,169

The Group expensed £205,000 to the consolidated income statement for leases with a lease term of 12 months or less.

The additions, depreciation and the carrying values of right-of-use assets are shown in note 16.

Creightons Plc Annual Report 2020

Notes to the financial statements

25 Bank overdrafts and loans

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank overdraft	554	334	-	-
Borrowings under invoice finance facilities	-	398	-	-
Borrowings under mortgage repayable within one year	159	-	159	-
Borrowings under mortgage repayable between two to five years	702	-	702	-
Borrowings under mortgage repayable after more than five years	2,114	-	2,114	-
Total	3,529	732	2,975	-

The borrowings in relation to the bank overdrafts are repayable on demand or within one year.

Borrowings totalling £554,000 (2019: £334,000) are denominated in US Dollars, all other borrowings are denominated in Sterling. The directors estimate that the fair value of the Group's borrowings approximates to the carrying value.

On 16 October 2019, the Company took out a mortgage of £3,040,000 to fund part of the purchase of the freehold property at Peterborough it previously occupied as a tenant. The mortgage is for a 15 year term secured on the property with an interest rate of 3.04% fixed for the first 10 years of the loan.

The weighted interest rates paid were as follows:

	Group		Company	
	2020	2019	2020	2019
	%	%	%	%
Bank overdrafts	3.5	3.5	-	-
Borrowings under invoice finance facilities	3.0	3.0	-	-
Borrowings under mortgage	3.04	-	3.04	-

The bank overdraft is secured by fixed and floating charges over all the assets of the Group.

The invoice finance facility is secured on the trade receivables and a floating charge on all of the assets of the Group.

26 Share capital

	Ordinary shares of 1p each	
	£000	Number
At 1 April 2018	607	60,638,152
Issued in the year	18	1,907,991
At 31 March 2019	625	62,546,143
Issued in the year	22	2,200,000
At 31 March 2020	647	64,746,143

The Company has one class of ordinary shares which carry no right to fixed income. All of the shares are issued and fully paid. The total proceeds from the issue of shares from the exercise of share options in the year was £99,000 (2019: £85,000).

Notes to the financial statements

27 Equity settled share-based payments

The Company has a share option scheme which is open to any employee of the Group. Options granted under the scheme are for nil consideration and are exercisable at a price equal to the quoted market price of the Company's shares on the date of the grant. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the option expires. Options are forfeited if the employee leaves the Group before options vest.

Fair value is calculated using the Black-Scholes model as below.

	Ordinary shares of 1p each			
	2020		2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the period	10,633,300	18.75p	5,804,091	4.72p
Granted in the period	-	-	6,737,200	26.80p
Exercised in the period	(2,200,000)	4.50p	(1,907,991)	28.28p
Lapsed in the period	(468,400)	26.80p	-	-
Outstanding at the end of the period	7,964,900	22.21p	10,633,300	18.75p

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Granted	Exercise period	Number	Exercise price
December 2013	2016 - 2023	45,000	4.25p
November 2014	2017 - 2024	1,300,000	5.50p
September 2015	2019 - 2025	351,100	4.50p
October 2018	2021 - 2028	6,268,800	26.80p
Outstanding at the end of the period		7,964,900	22.21p

The weighted average exercise price of current exercisable options is 5.26p.

The weighted average contractual life for the outstanding options based on last exercise date is 7.0 years.

For the share options exercised in the period, the share price on date of exercise was as follows:

Exercised options	Number	Share price on date of exercise
24 April 2019	600,000	29.0p
20 January 2020	1,600,000	44.0p

The share options granted during each period have been valued using a Black-Scholes model. The inputs to the Black-Scholes model are as follows:

	Year ended 31 March 2019
Weighted average share price (pence)	26.80p
Weighted average exercise price (pence)	26.80p
Expected volatility (%)	38.5%
Expected life - years	3
Risk free rate (%)	0.75%
Expected dividends (pence)	-

Expected volatility was determined by calculating the historical volatility of the share price over a basket of similar businesses over the previous two years.

The Group recognised total expenses of £133,000 (2019: £69,000) related to share-based payments.

The charge for a full year for the new share options will be £133,000 (2019: £133,000).

Creightons Plc Annual Report 2020

Notes to the financial statements

28 Retirement benefit scheme

The Group operates defined contribution schemes for employees. The assets of the schemes are held separately from those of the Group. The Group also entered into an auto-enrolment pension scheme on 1 April 2014.

The charge in the consolidated income statement in the year was £296,000 (2019: £201,000) and cash contributions were £237,000 (2019: £192,000).

29 Operating lease arrangements

The Group leases property, plant and equipment under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

	Group	Company
	Year ended	Year ended
	31 March	31 March
	2019	2019
	£000	£000
Minimum lease payments under operating leases recognised as an expense in the year	571	-

An analysis of the total minimum lease payments under non-cancellable operating leases is set out below:

	Group	Company
	2019	2019
	£000	£000
Total operating leases, expiring		
Within one year	566	-
In the second to fifth years inclusive	812	-
After five years	380	-
Total	1,758	-

30 Capital commitments

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Contracts placed for future capital expenditure not provided for in the financial statements	113	136	-	-

31 Related party transactions

Transactions between the parent company and its subsidiaries

The amounts owed by and to subsidiary companies are:

	Year ended	Year ended
	31 March	31 March
	2020	2019
	£000	£000
Amounts receivable from subsidiary undertakings	1,754	2,614
Amounts payable to subsidiary undertakings	(35)	(35)

During the year ended 31 March 2020 the company transferred £85,000 from the proceeds of the exercise of share options to Potter & Moore Innovations Limited. The company received a dividend of £347,000 (2019: £233,000) from Potter & Moore Innovations Limited.

During the year ended 31 March 2020 the company charged rental charges of £162,000 to Potter & Moore Innovations Limited.

Creightons Plc Annual Report 2020

Notes to the financial statements

31 Related party transactions (continued)

Oratorio Developments Limited

On 24 July 2006 Oratorio Developments Limited, a company of which Mr McIlroy is a Director and controlling shareholder, acquired the premises occupied by Potter & Moore Innovations Limited.

On 16 October 2019, Oratorio Development Limited sold the property to Creightons Plc for £3,800,000. This was approved by shareholders at a General Meeting on 10 October 2019.

The following amounts were charged under the terms of the lease up to 16 October 2019:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Rental charges	190	350
Re-imburement of property insurance costs	15	16
Total	205	366

Amounts owed to Oratorio Developments Limited

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Amounts payable	-	121

Carty Johnson Limited

Carty Johnson Limited, a company of which Mr Johnson is a Director and controlling shareholder provides internet support services. The following amounts were charged in the year:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Charges for internet support services	31	12

Amounts owed to Carty Johnson Limited

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Amounts payable	8	-

Saxon Coast Consultants Limited

Saxon Coast Consultants Limited, a company of which Mr O'Shea is a Director and with related parties a controlling shareholder provides company secretarial services. The following amounts were charged in the year:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Charges for company secretarial services	20	23

Details of the remuneration paid to related parties (as well as any salaries and bonuses waived) is included in the Directors Remuneration Report on page 20.

Notes to the financial statements

31 Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24, 'Related Party Disclosure'. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 19 to 25.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Salaries and other short term benefits	872	997
Total	872	997

32 Notes supporting the cash flow statement

Group

Analysis of changes in net debt

	Overdraft £000	Invoice Financing £000	Mortgage £000	Total £000
At 1 April 2019	334	398	-	732
Cash flows	204	(398)	2,924	2,730
Interest accruing	16	-	51	67
At 31 March 2020	554	-	2,975	3,529

	Overdraft £000	Invoice Financing £000	Mortgage £000	Total £000
At 1 April 2018	747	-	-	747
Cash flows	(435)	389	-	(46)
Interest accruing	22	9	-	31
At 31 March 2019	334	398	-	732

The movement in lease liabilities in the year is analysed per note 24.

33 Deferred tax

The movement in deferred tax provision is analysed as follows.

	Group £000
At 1 April 2018	34
Recognised in the income statement	40
Recognised directly through retained earnings	(49)
At 31 March 2019	25
Recognised in the income statement	30
Recognised directly through retained earnings	(26)
At 31 March 2020	29

Notes to the financial statements

33 Deferred tax (continued)

Deferred tax is represented by:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Capital allowances in advance of depreciation	229	177
Share based payments	(195)	(147)
Other temporary differences	(5)	(5)
Net deferred tax liability	29	25

34 Effects of changes in accounting policies

The Group adopted IFRS 16 and IFRIC 23. The Group has not chosen to restate comparatives for both standards and therefore the revised requirements are not reflected in the prior year financial statements. These changes have been processed at the initial date of application, 01 April 2019 and recognised in the opening equity balances. Details of the impact have been noted below.

IFRS 16 Leases

IFRS 16 replaces existing IAS 17. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the inception of all leases, except for short-term leases of 12 months or less and leases of low value assets. Under IFRS 16 lessor accounting is substantially similar to the provisions of IAS 7 and retains the distinction between operating leases and financial leases.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 April 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- (a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- (c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- (d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

On transition, liabilities were measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate of 3%. The right-of-use recognised was an amount equal to the lease liability. For leases previously classified as finance leases, the right-of-use assets and lease liabilities were measured as the same brought forward values of the lease liability.

Creightons Plc Annual Report 2020

Notes to the financial statements

34 Effects of changes in accounting policies (continued)

The following is a reconciliation of total operating lease commitments disclosed at 31 March 2019 with the lease liabilities recognised at 1 April 2019:

	£'000
Total operating lease commitments disclosed under IAS17 at 31 March 2019	1,758
Property with less than 12 months lease term remaining'	(344)
Effect of discounting	(514)
Finance liabilities recognised under IAS 17 at 1 April 2019	194
Total lease liabilities recognised under IFRS 16 at 1 April 2019	1,094
Represented by	
Current lease liabilities	132
Non-current lease liabilities	962
	1,094

The following is a reconciliation of the financial statement lines items from IAS 17 to IFRS 16 at 31 March 2019.

	As reported at 31 March	IFRS 16		As restated 1 April
	2019	Reclassification	Initial adoption	2019
Property, plant and equipment	2,363	(180)	-	2,183
Right of use assets	-	180	900	1,246
Lease liabilities	-	(194)	(900)	(1,094)
Finance lease liabilities	(194)	194	-	-
Total	2,169	-	-	2,169

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The adoption of IFRIC 23 resulted in no changes to corporation tax liabilities.

Directors and Advisers

Directors

William O McIlroy
Bernard JM Johnson
William T Glencross
Mary T Carney (until 19 November 2019)
Nicholas DJ O'Shea
Philippa Clark
Martin Stevens
Paul Forster

Chairman
Managing Director
Non-executive Director
Senior Independent Non-executive Director
Non-executive Director
Deputy Managing Director
Deputy Managing Director
Group Finance & Commercial Director

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