12 July 2022

Creightons Plc

Preliminary results

Creightons Plc (the "Group" or "Creightons") brand owners and manufacturers of personal care, beauty, and fragrance products, is pleased to announce its preliminary results for the year ended 31 March 2022.

Financial highlights

- Revenue from core business excluding hygiene and acquisitions increased by £10.3m (21.8%) to £57.3m (2021: £47.0m).
- Total revenue decreased by only 0.7% to £61.2m (2021: £61.6m).
- EBITDA of £5.9m (2021: £6.9m).
- Operating profit decreased by 19.1% to £4.37m (2021: £5.39m).
- Operating profit margin of 7.1% (2021: 8.8%).
- A tax charge of £0.3m (2021 - £0.8m) equates to an effective tax rate of 10.0% (2021: 16.2%).
- The profit after tax for the year has decreased by £1.2m to £3.1m (2021: £4.3m).
- The profit reduction together with the issue of shares has reduced the fully diluted earnings per share to 3.98p (2021: 5.89p).
- Balance sheet remains strong and includes new intangible assets of £10.1m arising from acquisitions. We have continued to invest in working capital, product development and fixed assets to support the growth and efficiency of the business.
- Net cash on hand (cash and cash equivalents less short-term element of obligations under finance leases and borrowings) is negative £2.1m (2021: positive £6.2m).
- The Directors do not propose a final dividend for the year ended 31 March 2022 (2021: 0.50p per ordinary share).

Operational highlights

- We have successfully replaced the previous year's "one off" hygiene sales generated by the Covid-19 pandemic which were a total of £14.6m with growth across each of the branded, private label and contract manufacturing business units.
- Sales growth momentum maintained in the core business despite the impact of Covid-19:
    - Our own branded sales (excluding hygiene products) have grown by 37.7%.
    - Sales of retailer own label products increased by 9.5%.
    - Contract manufacturing sales increased by 29.3%.
    - Total overseas sales have increased by 45.6% to £10.0m (2021: £6.9m).
- Successfully completed acquisition of two businesses; Emma Hardie and Brodie & Stone. Their integration is progressing well and the full benefits will emerge in the new financial year.
- Combined sales from acquisitions during the year amounted to £3.6m. Emma Hardie revenue £2.3m from 28 July 2021 and Brodie and Stone £1.3m from 24 September 2021.
- Cash on hand at March 2021 has been invested in the acquisitions of Emma Hardie and Brodie & Stone in the year as well as increased investment in working capital, product development and plant & equipment to support the business growth.
- In common with most manufacturing businesses we have had to deal with unprecedented increases in our input and energy prices together with significant disruption in the global supply chain. We have developed a detailed cost indexing system which monitors all cost increases and have engaged proactively with our customers.
- Brexit – Impact of Brexit on operations has not been significant.
- Costs of Covid-19 defences were significantly reduced compared to previous year. Sales of hygiene products which were a significant feature of last years activities with a turnover of £14.6m have reduced to £0.3m and are not expected to recur in the future. Most of our customers have returned to pre-Covid-19 activities. We have removed Covid-19 restrictions at both our manufacturing sites but remain vigilant in the face of the ongoing Covid-19 threat.

Commenting on the results, William McIlroy, Chairman of Creightons Plc, said:
"The Group has successfully maintained revenue during the year. We have replaced the one-off hygiene sales in the previous year and have delivered growth across all areas of the core business. We have completed two business acquisitions which leave us well placed to continue to grow the branded business of the Group. We will continue to respond proactively to the challenging market conditions but remain open to further business opportunities."

Commenting on the results, Bernard Johnson, Managing Director, said:
"The team across the Group has performed exceptionally well in the face of challenges presented by Covid-19 and the global supply chain and inflationary pressures. We will continue to work closely with our customers while robustly embarking on a programme of overhead cost reduction and improving manufacturing efficiencies. We are confident that our vertically integrated model continues to give us a competitive advantage."

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Overview

The Group has made excellent progress in maintaining revenue during the year ended March 2022. Core sales have increased by £10.3m (21.8%), which together with the £3.6m of sales from new acquisitions, has substantially replaced the Covid-19 related hygiene sales of £14.6m which were a one-off feature of the previous year. The Group's performance reflects management's ability to take advantage of available opportunities and manage potential risks.

The Group's vertically integrated model continues to give it competitive advantage allowing it to respond quickly and effectively to customer requirements. It provided for a rapid pivot in production to meet market demand for sanitant product at the beginning of the Covid outbreak, and likewise allowed it to respond to the post-covid demand for more output. It also provides a competitive advantage with post-acquisition integration by providing synergies not available to all market participants. Over the reporting period the Group continued to invest in its manufacturing, and in its research and development capabilities, which underpin this vertical model.

Acquisitions

During the year the Group completed two acquisitions – Emma Hardie and Brodie & Stone. These acquisitions significantly extend the branded offering of the business and provide opportunity for further growth in the UK and internationally. The acquisitions provide opportunities for manufacturing and other synergies (see Note 8 for further details).

Emma Hardie provides the opportunity to move into more premium skincare with a higher end group of consumers, retailers and digital platforms.
The Brodie & Stone acquisition included the T-Zone, Natural World and Janina brands. These brands complement our existing customer and product range and we see opportunities to drive growth through our existing customer network.

Revenue

Revenue from core business excluding hygiene and acquisitions increased by £10.3m (21.8%) to £57.3m (2021: £47.0m). Overall Group sales were £61.2m for the year ended March 2022 (2021: £61.6m) a reduction of £0.4m. Sales of hygiene products which were a short term feature of the previous year declined by £14.3m to £0.3m (2021: £14.6m). We have been successful in substantially replacing the one-off hygiene sales by growth in each of the three business units. Branded sales (excluding hygiene and acquisitions) increased by 37.7% from £12.0m to £16.5m with a strong performance from Feather & Down and Balance Active brands. Private label sales have increased from £22.8m to £24.9m with the re-opening of the High Street and the addition of a large contract with a key grocer. Contract manufacturing sales have increased from £12.3m to £15.9m with all major customers responding to increased consumer demand. Sales of Emma Hardie of £2.3m and Brodie & Stone of £1.3m have been included from the dates of acquisition of 28th July 2021 and 24th September 2021 respectively.

The Group's total overseas business, including the Australian subsidiary and non-own branded customers, increased by 45.6% to £10.0m (2021: £6.9m).

Margin and cost of sales

Our gross margin was 42.8% for the year ended 31 March 2022 (2021 40.6%). Whilst sales mix has been a contributor to the margin increase, last year included additional Covid-19 related costs which have not repeated in the current year.

Distribution costs and Administrative expenses

Distribution costs have increased by 5.4% to £3.5m (2021: £3.4m), driven by increased operational charges at third-party logistics providers and also growth in the core business and the required investment in inventory.

Administrative expenses have increased by 12.4% to £18.3m in the year (2021: £16.2m) as the Group has seen a general rise in overhead costs in particular in energy prices and insurance costs. Prior year costs included £0.8m of Covid-19 costs which were not repeated as the impact of the virus reduces. We will continue to manage our overhead cost base requirements to ensure they are aligned with the anticipated sales levels of the Group.

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.

EBITDA

The Group has generated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of £5,944,000 (2021: £6,942,000). This represents a reduction of £998,000 (14.4%).

Tax

The Group's tax charge for the year was £345,000 (2021: £837,000) which equates to a rate of 10.0% (2021: 16.2%). The effective rate of tax is significantly less than the standard rate of 19.0% (2021: 19.0%). The main reason for this reduction is the R&D relief claims for the current year of £213,000 (2021: £206,000) and the reduction due to the tax charge associated with share options exercised in the period of £49,000 (2021: £66,000).

Exceptional items

The Group incurred acquisition costs of £218,000 on the purchase of Emma Hardie and Brodie & Stone. Provision has also been made for a further £384,000 of cost in relation to the share price agreement on the acquisition of Emma Hardie (see Note 8).

Profit after tax

The Group's profit after tax has reduced by 28.2% to £3,110,000 for the year ended 31 March 2022 (2021: £4,334,000).

Earnings per share

The diluted earnings per share of 3.98p (2021: 5.89p) is a decrease of 32.4%. The EPS has been adversely impacted by the reduction in profit after tax including the exceptional costs of £0.6m and also by the increase in the number of shares in issue (acquisition related shares of 2.6m and share options).

Cash on hand and working capital

The Group acquired 2 brands during the year with a total cash outflow of £8.9m, these acquisitions were funded using cash resources and bank facilities. Net cash on hand (cash and cash equivalents less short-term element of obligations under finance leases and borrowings) is negative £2.1m (2021: positive £6.2m). The reduction in cash is mainly attributable to business acquisitions and related increase in working capital. The Group generated £2.0m (2021: £6.2m) from operating activities.

Return on Capital Employed

The Group has invested in two businesses in the year through acquiring their share capital as part of the Group's strategic goals of increasing its branded business. This has increased capital employed, which has not yet had a corresponding increase in operating profit leading to a decrease in Return on Capital Employed from 22.4% to 12.9%. The expected improvement on the returns on acquisitions in the year will commence in the year to March 2023. The Group continues to look for opportunities to invest in brands that will help drive faster growth in profits.

Net gearing

Net gearing of 28.7% (2021: negative 13.0%) has increased by 41.7 percentage points in the year following the new loan of £3.0m and invoice finance utilisation to fund the investment in the two acquisitions and in working capital.

Dividend

The Directors do not propose a final dividend for the year ended 31 March 2022, (2021: 0.50 pence per ordinary share) due to the challenging and volatile economic conditions facing the Group and the need to be prudent about utilisation of cash resources. This is consistent with the directors' objective to align future dividend payments to the future underlying earnings and cash requirements of the business. The total dividend paid for the year ended 31 March 2022 is 0.15 pence (2021: 0.65 pence).

Covid-19 statement

Covid-19 had a reduced impact on the operations of the Group during the year ended 31 March 2022 compared to the previous year although we continued to take appropriate measures to protect the safety of all employees. Costs of Covid-19 defences were significantly reduced compared to previous year. We have now removed Covid-19 restrictions at both our manufacturing sites but remain vigilant in the face of the ongoing Covid-19 threat.

Brexit

Brexit has resulted in some increased long-term costs associated with the regulatory management, and import and export administration. These have not materially impacted the Group's performance and are not expected to have a material impact in the future.

Supply chain

In common with many UK manufacturing businesses, we have experienced global supply chain and inflationary pressures during the second half of the financial year. These pressures have manifested in the form of delayed deliveries from suppliers, higher input, energy and overhead costs. These pressures are expected to continue. We will continue to be proactive in our response to these challenges and in particular we will seek out new opportunities and endeavour to mitigate any price increases through price recovery, product reengineering, alternative sourcing and other cost control measures**.**

Conclusion

This has been a transformational year for the Group with the successful acquisition of two brand-based companies strengthening our branded offering and giving a firm foothold in premium skincare which we can build on very quickly given our global distribution, development and manufacturing capabilities.

However, the last six months of the financial year have been extremely challenging.

Our response has therefore been urgent and robust. The Group's senior managers have all experienced changes in the macro-economic environment and understand the need and how to adjust the business in response to rapid change in the economic cycle. Accordingly, we have embarked on a programme of overhead cost reduction and of improving manufacturing efficiencies which should significantly reduce operational costs by the end of the year ended 31 March 2023, a lot of which will be delivered and be adding to the bottom line by the end of September 2022.

Manufacturing efficiency improvements are the planned result of significant investment in higher grade machinery and equipment within the last 18 months. It will enable us to move towards one shift across the group. Already the underlying throughput rates and efficiencies have improved by more than 10% in the last three months and will continue to do so.

In summary the Board believes that good management, strong customer relationships and financial position will continue to enable the Group to manage the current crisis and that the Group is well placed to proactively manage new challenges and take advantage of any new opportunities that may arise.

We are still keen to expand but will only do so when the infrastructure is fully repositioned to deal with the volatile conditions we are facing.

I would like to take this opportunity to thank every one of our employees who as always give of their best with hard work and expertise. All have responded very commendably to the speed of change required and pressures associated with these exceptional times.

Thanks also to our customers and suppliers, especially those who have responded so positively through this challenging period.

Directors' responsibilities statement

The directors whose names and functions are set out on in the full report are responsible for preparing the Annual Report and the Financial Statements in accordance applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under 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;
- state whether UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
  - make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's position and performance, business model and strategy. Each of the directors, whose names and functions are listed in Directors and Advisers on page 86 to the full accounts confirm that to the best of their knowledge:

1. the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company; and
2. the group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
3. 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
4. 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.

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 Covid-19 business risks facing the business, the impact of Brexit, the economic situation and potential emerging risks, and their impact 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. The key risks and the measures taken to manage these risks are noted below.

Capital structure, cash flow and liquidity

The Group has a strong balance sheet. Acquisitions during the year were financed by internal cash resources and bank funding. The business is funded using; retained earnings, a long term mortgage, term loan and sale and lease back arrangements to support investments in fixed assets, invoice financing and overdraft facilities for working capital.

At 31 March 2022 the invoicing financing is in a utilised position of £1,267,000 as this facility has been utilised to fund the acquisitions during the year (2021: surplus of £1,232,000, due to cash received from customers immediately before the year end and not yet transferred to the bank account). At 31 March 2022 the Group had utilised £495,000 (2021: £Nil) 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.

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, ethical and quality audits covering both accreditations held and a number of specific operating standards our customers require us to comply with.

Brexit

Whilst the Brexit outcome did not result in any increase in duty costs, the resulting increased paperwork associated with importing and exporting to the EU incurred, by ourselves and our partners, has increased costs but the impact has been minimal. At a Group and business level we continue to monitor changes in legislation, trade agreements and working practices to take advantage of any opportunities that may arise and to mitigate any risks associated with Brexit. The Group operates globally with significant direct and indirect trading relationships within the EU. The Group put mitigating actions in place including the registration in December 2018 of Potter & Moore Ltd based in Ireland as an EU base for recording regulatory information and a new subsidiary Creightons GmbH in June 2020 to trade directly with EU customers as required. 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.

Global economic environment

On 24 February 2022 Russian forces entered Ukraine, resulting in Western nations reactions including announcements of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The directors have carried out an assessment of the potential impact of Russian forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and have concluded that the greatest impact on the business expected to be from price increases.

The directors have taken account of these potential impacts in their going concern assessments and have concluded that the direct impact is not significant to the business, with the indirect impact of price increases being reviewed on a regular basis.

Credit risk

Our credit risk is that our customers are unable to pay and we believe this risk is elevated currently due to current global economic climate. We proactively manage the risks faced by our customers by working closely with them and by increasing debtor management and expanding our credit insurance. All customers' debtor balances, are within insured credit limits or they pay on a pro-forma basis. Credit control processes are in place to manage credit risk including setting appropriate credit limits and the enforcement of credit terms and ongoing dialogue with all customers. We minimise the risk from concentration of customers through implementation of these credit processes and this risk is mitigated through the diversity of our customer base both by channel and geography.

Supplier sourcing and costs

Cost increases as a result of inflation together with pressures on supply of materials globally are our key supplier related risks. Global supply chains are stretched and face significant upwards price pressures. We continue to work closely with suppliers and have used our improved sourcing capabilities to expand our supply base to ensure that we can meet the demand from our existing and new customers and minimise the impact of cost price increases. We have an ongoing dialogue and communication with our customers to mitigate the impact on the business.

Environmental protection standards and sustainability

The Group's technical department continues to monitor all relevant environmental regulations that the Group must adhere to, to ensure continued compliance. We have successfully operated at both manufacturing sites without a cessation in production due to an environmental incident. The risk of cessation of production from an environmental breach is considered to be low but in such an event we would be able to move production to the other site or to outsource to third party manufacturers in the short term.

The Group's objective is to keep ahead of the move towards more sustainable products and processes. There is a risk that if we do not take action we will be left behind and unable to meet our customers requirements. However the Group sees the move towards sustainability as an opportunity for business growth.

Cyber security

Cyber Security remains a significant threat to all businesses. The Group has responded by a significant investment in new software and resources to minimise the risk of anyone accessing our systems and information. We have enhanced our ongoing training programme for employees to ensure that they are constantly aware of their role in protecting the business from all cyber security threats.

Covid-19

Covid-19 had a reduced impact on the operations of the Group during the year ended 31 March 2022 compared to the previous year although we continued to take appropriate measures to protect the safety of all employees. Costs of Covid-19 defences were significantly reduced compared to previous year. We have now removed Covid-19 restrictions at both our manufacturing sites but remain vigilant in the face of the ongoing Covid-19 threat.

No further Government schemes were used in the year ended March 2022. During the previous year the Group utilised the Government's Furlough scheme for shielding employees. It also deferred paying approximately £990,000 of VAT in relation to March 2020, which has been repaid over the 10 months commencing March 2021. No further Government schemes were used.

Consolidated income statement

	Note	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Revenue		61,157	61,605
Cost of sales		(35,001)	(36,623)
Gross profit		26,156	24,982
Distribution costs		(3,535)	(3,353)
Administrative expenses		(18,256)	(16,236)
Operating profit		4,365	5,393
Exceptional items	8	(602)	-
Finance costs		(308)	(222)
Profit before tax		3,455	5,171
Taxation		(345)	(837)
Profit for the year from operations attributable to the equity shareholders		3,110	4,334

Consolidated statement of comprehensive income

		Year ended 31-Mar 2022 £000	Year ended 31-Mar 2021 £000
Profit for the year		3,110	4,334
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations		(7)	9
Other comprehensive income for the year		(7)	9
Total comprehensive income for the year attributable to the equity shareholders		3,103	4,343

Earnings per share

	Note	Year ended 31 March 2022	Year ended 31 March 2021
Basic	5	4.62p	6.69p
Diluted	5	3.98p	5.89p

Dividends

	Year ended 31-Mar 2022 £000	Year ended 31-Mar 2021 £000
Final dividend paid – 0.50p (2021: 0.50p) per share	324	324
Interim dividend paid – 0.15p (2021: 0.15p) per share	104	97
Total dividend paid in year – 0.65p (2021: 0.65p) per share	428	421
Proposed – 0.00p (2021: 0.50p) per share	-	324

Consolidated balance sheet

		31-Mar	31-Mar
		2022	**2021**
	Note	**£000**	**£000**
Non-current assets			
Goodwill		2,853	331
Other intangible assets		10,867	818
Property, plant and equipment		6,065	5,857
Right-of-use assets		1,120	1,090
Deferred tax Asset		-	339
		20,905	**8,435**
Current assets			
Inventories		12,479	8,318
Trade and other receivables		13,624	10,236
Cash and cash equivalents		840	6,558
		26,943	**25,112**
Total assets		**47,848**	**33,547**
Current liabilities			
Trade and other payables		10,127	9,177
Corporation tax payable		-	329
Lease liabilities		303	237
Borrowings		2,663	166
Deferred and contingent consideration		1,187	-
		14,280	**9,909**
Net current assets		**12,663**	**15,203**
Non-current liabilities			
Deferred tax liability		2,640	-
Lease liabilities		864	906
Borrowings		4,386	2,646
		7,890	**3,552**
Total liabilities		**22,170**	**13,461**
Net assets		**25,678**	**20,086**
Equity			
Share capital	6	697	648
Share premium account		4,427	1,410
Other reserves		(211)	25
Translation reserve		23	30
Retained earnings		20,742	17,973
Total equity attributable to the equity shareholders of the parent Company		**25,678**	**20,086**

Consolidated statement of changes in equity

	Share capital (note 6)	Share premium account	Other reserves	Translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2020	647	1,406	25	21	13,467	15,566
Comprehensive income for the year						
Profit for the year	-	-	-	-	4,334	4,334
Exchange differences on translation of foreign operations	-	-	-	9	-	9
Total comprehensive income for the year	**-**	**-**	**-**	**9**	**4,334**	**4,343**
Contributions by and distributions to owners						
Exercise of options	1	4	-	-	-	5
Share-based payment charge	-	-	-	-	195	195
Deferred tax through Equity	-	-	-	-	398	398
Dividends	-	-	-	-	(421)	(421)
Total contributions by and distributions to owners	**1**	**4**	**-**	**-**	**172**	**177**
At 31 March 2021	**648**	**1,410**	**25**	**30**	**17,973**	**20,086**
Comprehensive income for the year						
Profit for the year	-	-	-	-	3,110	3,110
Exchange differences on translation of foreign operations	-	-	-	(7)	-	(7)
Total comprehensive income for the year	**-**	**-**	**-**	**(7)**	**3,110**	**3,103**
Contributions by and distributions to owners						
Exercise of options	23	541	-	-	-	564
Shares issued on acquisitions	26	2,476	-	-	-	2,502
Purchase of own shares by EBT	-	-	(236)	-	-	(236)
Share-based payment charge	-	-	-	-	330	330
Deferred tax through Equity	-	-	-	-	(243)	(243)
Dividends	-	-	-	-	(428)	(428)
Total contributions by and distributions to owners	**49**	**3,017**	**(236)**	**-**	**(341)**	**2,489**
At 31 March 2022	**697**	**4,427**	**(211)**	**23**	**20,742**	**25,678**

Consolidated cash flow statement

	Note	Year ended 31 March	Year ended 31 March
		2022	**2021**
		£000	**£000**
Profit from operations		**4,365**	**5,393**
Adjustments for:			
Depreciation on property, plant and equipment		888	846
Depreciation on right of use assets		256	206
Amortisation of intangible assets		435	497
(Profit)/Loss on disposal of property, plant and equipment		(10)	4
Loss on disposal of Right-of-use assets		-	5
Share based payment charge		330	195
		6,264	**7,146**
(Increase) in inventories		(2,515)	(924)
(Increase) in trade and other receivables		(1,820)	(1,369)
Increase in trade and other payables		59	1,337
Cash generated from operations		**1,988**	**6,190**
Taxation paid		(575)	(684)
Net cash generated from operating activities		**1,413**	**5,506**
Investing activities			
Purchase of property, plant and equipment		(1,106)	(869)
Purchase of right-of-use assets		(286)	(34)
Proceeds from sale and lease back		264	174
Purchase of intangible assets		(338)	(344)
Acquisition of Brodie & Stone	8	(3,507)	-
Acquisition of Emma Hardie	8	(2,775)	-
Exceptional costs in relation to acquisitions	8	(343)	-
Net cash used in investing activities		**(8,091)**	**(1,073)**
Financing activities			
Proceeds on issue of shares		564	5
Principal paid on lease liabilities		(240)	(188)
Interest on lease liabilities		(117)	(139)
Interest paid on mortgage loan		(83)	(89)
Interest paid on overdrafts and loans		(108)	(4)
Increase in invoice financing facilities		1,267	-
Increase / (decrease) of borrowings		495	(554)
Draw down of loan facility		3,000	-
Repayment on term loan		(314)	-
Repayment on mortgage loan facility		(169)	(164)
Repayment of debt – Emma Hardie	8	(2,201)	-
Repayment of debt – Brodie & Stone	8	(463)	-
Dividends paid to owners of the parent		(428)	(421)
Purchase of own shares via EBT		(236)	-
Net cash generated from/(used in) financing activities		**967**	**(1,554)**
Net increase in cash and cash equivalents		**(5,711)**	**2,879**
Cash and cash equivalents at start of year		**6,558**	**3,670**
Effect of foreign exchange rate changes		(7)	9
Cash and cash equivalents at end of year		**840**	**6,558**

Notes to preliminary announcement

1. Significant accounting policies

Basis of accounting

The Group financial statements have been prepared in accordance with UK-adopted international accounting standard in conformity with the requirements of the Companies Act 2006.

The IFRSs applied in the Group financial statements are subject to ongoing amendment by the IASB and therefore subject to possible change in the future. Further standards and interpretations may be issued that will be applicable for financial years beginning on or after 1 April 2022 or later accounting periods but may be adopted early.

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The primary statements within the financial information contained in this document have been presented in accordance with IAS1 Presentation of Financial Statements.

The financial statements have been prepared on the historical cost basis as modified for the fair value of business combinations. 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

No new standards impacting on the Group have been adopted in its financial statements for the year ended 31 March 2022.

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.

Exposures to market, credit, interest and currency risks arise in the normal course of the Group's business. Risk management policies and hedging activities are outlined below.

2. Financial instruments and treasury risk management

Market risk

Market risk is the risk that arises from movements in stock prices, interest rates, exchange rates, and commodity prices.

The contingent consideration on the issue of shares on the acquisition of Emma Hardie can only ultimately be determined on 28 July 2022 as it is dependent on the share price at that date. The charge reflected in the consolidated income statement for the year ended March 2022 amounts to £384,000 based on the share price of 60.5p at 31 March 2022. A movement of 10p in the share price will give rise to an additional charge / credit in the income statement of £160,000 for the year ended March 2023.
Market risk for the 31 March 2021 year end is reflected within the interest rate and foreign currency risk which are discussed further below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations.

Trading exposures are monitored by the operational companies against agreed policy levels. Credit insurance with a world leading insurer is employed across the majority of our trade debtors. At 31 March 2022 all trade debtors (2021: all) are covered by credit insurance with a cover of 90% of the debtor balances. 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 to the full accounts.

The credit risk on liquid funds such as cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Interest rate risk

The Group's interest rate exposure arises mainly from its interest-bearing borrowings.

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.

The Group also secured a fixed rate mortgage for a 15 year term, 12.5 years remaining, secured on the property with an interest rate of 3.04% fixed for the first 10 years, 7.5 years remaining, of the loan, therefore reducing the interest rate risk. The interest charge on the mortgage for the year ended 31 March 2022 was £83,000.

On 3 September 2021, the Company took out a term loan of £3,000,000 to fund part of the purchase of the acquisitions in the year. The term loan is for a 4 year term secured on the assets of the Group with an interest rate of 2.70% above the Bank of England base rate. The interest charge on the term loan for the period to 31 March 2022 was £43,000. A 1% increase in the interest rate would have resulted in an additional charge of £13,000.

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 £75,000 (2021: £5,000). A 1% decrease would have the opposite effect. The Group's sensitivity to interest rates has changed during the current year due to the new 4 year term loan on acquisitions.

Foreign currency risks

The Group operates in a number of markets across the world and is exposed to foreign currency transaction and translation risks arising on the purchase and sales of goods in particular with respect to the US dollar and Euro.

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 0% (2021: 0%) of the Group's income is denominated in US dollars and 2% (2021: 2%) in Euros. Approximately 4% (2021: 5%) of the Group's expenditure is denominated in US dollars and 5% (2021: 4%) in Euros.

Foreign currency sensitivity

A 5% strengthening of sterling would result in a £163,000 (2021: £158,000) increase in profits and equity. A 5% weakening in sterling would result in a £180,000 (2021: £174,000) reduction 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 2022 or 31 March 2021.

Cash flow and liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group manages its working capital requirements through overdrafts and invoice finance facilities. These facilities were renewed in March 2022 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 the terms of these facilities. At 31 March 2022 the Group had available £6,288,000 (2021: £6,406,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group has a fixed rate mortgage for a 15 year term secured on the property with an interest rate of 3.04% fixed for the next 7.5 years of the loan. The Company also took out a term loan of £3,000,000 to fund part of the purchase of the acquisitions in the year. The term loan is for a 4 year term secured on the assets of the Group with an interest rate of 2.70% above the Bank of England base rate.

3. 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	
	2022	**2021**
	£000	**£000**
Trade and other receivables	12,819	9,772
Cash and cash equivalents	840	6,558
Total	**13,659**	**16,330**

4. 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.

At 31 March 2022

	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	6,211	-	-	-	6,211
Accruals	3,016	-	-	-	3,016
Obligations under leases	153	150	864	-	1,167
Overdraft and invoice financing	1,762	-	-	-	1,762
Loans	447	454	2,670	1,716	5,287
Deferred consideration	159	-	-	-	159
Total	**11,748**	**604**	**3,534**	**1,716**	**17,602**

At 31 March 2022 contingent consideration of £1,028,000 is held at FVTPL within financial liabilities. The contingent consideration is based on quoted investments and is therefore designated as level 1 in the fair value hierarchy. For those held at amortised cost, the carrying value approximates the fair value (see Note 8).

At 31 March 2021

	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	5,003	-	-	-	5,003
Accruals	2,480	-	-	-	2,480
Obligations under leases	119	118	906	-	1,143
Overdraft and invoice financing	-	-	-	-	-
Loan	82	84	729	1,917	2,812
Total	**7,684**	**202**	**1,635**	**1,917**	**11,438**

5. Earnings per share

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

	Year ended 31-Mar	Year ended 31-Mar
	2022	2021
	£000	£000
Earnings		
Net profit attributable to the equity holders of the parent company	3,110	4,334

	Year ended 31-Mar	Year ended 31-Mar
	2022	2021
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	67,372,553	64,757,807
Effect of dilutive potential ordinary shares relating to share options	10,681,836	8,788,756
Weighted average number of ordinary shares for the purposes of diluted earnings per share	78,054,389	73,546,563

Basic	4.62p	6.69p
Diluted	3.98p	5.89p

6. Share capital

	Ordinary shares of 1p each	
	£000	Number
At 1 April 2020	647	64,746,143
Issued in the year	1	106,100
At 31 March 2021	648	64,852,243
Issued in the year	49	4,903,940
At 31 March 2022	697	69,756,183

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 £564,000 (2021: £5,000).

7. Notes to cash flow statement

Analysis of changes in net debt

	Overdraft	Invoice Financing	Mortgage	Loan	Total
	£000	£000	£000	£000	£000
At 1 April 2021	-	-	2,812	-	2,812
Cash flows	495	1,267	(253)	2,603	4,112
Interest accruing	-	-	83	42	125
At 31 March 2022	**495**	**1,267**	**2,642**	**2,645**	**7,049**

	Overdraft	Mortgage	Total
	£000	£000	£000
At 1 April 2020	554	2,975	3,529
Cash flows	(554)	(252)	(806)
Interest accruing	-	89	89
At 31 March 2021	**-**	**2,812**	**2,812**

8. Business combinations

Emma Hardie

On 28th July 2021, the Group acquired 100% of the issued share capital of Emma Hardie Limited. Total consideration was £4.86m, of which £2.77m was paid in cash, £1.36m was settled by the issue of 1,600,000 shares in Creightons PLC at a price of £0.8478 per share, and there was £0.084m of deferred consideration and a further £0.644m in contingent consideration. There was cash acquired of £0.08m and debt acquired at fair value of £2.20m.

The contingent consideration of £0.644m relates to the share issue on acquisition of Emma Hardie Limited. The company has guaranteed to the sellers of Emma Hardie Limited a share price for Creightons PLC at £1.25 per share as at 28th July 2022. The contingent consideration was accrued based on the difference between £1.25 and £0.848, the market price on date of acquisition. The liability has been reassessed based on the share price at 31 March 2022 and the related liabilty has been recognised through exceptional items in the income statement for the period. The ultimate liability can only be assessed 12 months after the acquisition date on 28th July 2022.

The fair value of acquired intangible assets is £5.11m and relates to the Emma Hardie brand acquired. The intangible asset is deemed to have an indefinite useful life so no amortisation is charged but will be subject to an annual impairment review.

Brodie & Stone

On 24th September 2021, the Group acquired 100% of the issued share capital of Brodie and Stone Holdings Limited, and its wholly owned subsidiary Brodie and Stone International Limited. Total consideration was £4.85m, of which £2.81m was paid in cash, £1.15m was settled by the issue of 1,000,000 shares in Creightons PLC at a price of £1.146 per share, £0.70m in relation to a property retention payment paid in October 2021, and there was £0.20m of deferred consideration. There was no cash acquired and debt acquired at fair value of £0.71m.

The fair value of acquired intangible assets is £4.98m and relates to various brands acquired. The intangible asset is deemed to have an indefinite useful life so no amortisation is charged but will be subject to an annual impairment review.

The amounts recognised in respect of the fair value of identifiable assets and liabilities for the acquisitions made during the year to March 2022 was:

	Brodie and Stone Limited	**Emma Hardie Limited**	**Total**
	Fair value	**Fair value**	**Fair value**
	£000	**£000**	**£000**
Property, plant and equipment	-	1	1
Intangible assets	-	58	58
Inventory	304	1,342	1,646
Trade receivable	434	752	1,186
Other debtors	-	267	267
Cash at bank	-	83	83
Borrowings	(463)	(475)	(938)
Trade payables	(141)	(422)	(563)
Taxation and social security	(19)	(60)	(79)
Other creditor	(242)	(68)	(310)
Redemption of C shares	-	(544)	(544)
Liabilities to be paid on completion	-	(1,182)	(1,182)
Total net assets	**(127)**	**(248)**	**(375)**
Intangible assets on business combination – Brand value	**4,980**	**5,108**	**10,088**
Total consideration due	**4,853**	**4,860**	**9,713**
The consideration was satisfied as follows:			
Cash consideration	2,807	2,775	5,582
Property retention	700	-	700
Deferred consideration	200	84	284
Contingent consideration	-	644	644
Share issue	1,146	1,357	2,503
	4,853	**4,860**	**9,713**

The performance of the acquisitions for the period since acquisition for Emma Hardie and Brodie & Stone is summarised in the below table:

	Emma Hardie	Brodie & Stone
	£000	£000
Revenue	2,309	1,322
Profit before tax	4	485

On a pro rata basis this would represent an annual turnover of £3.5m for Emma Hardie and £2.6m on Brodie & Stone. It is difficult to assess the full year profit due to a change in commercial and operating environment.

Exceptional costs

Exceptional costs arising from the acquisitions total £602,000. Legal & Professional costs of £218,000 and a further £384,000 charge in relation to the additional liability in respect of the Emma Hardie share issue at a guaranteed price of £1.25 per share. The additional charge is based on the difference between the original recorded estimate of 84.8p, the market price on date of issue, and the share price at 31 March 2022 of 60.5p.

Deferred and contingent consideration

The position at year end 31 March 2022 is as follows:

	Brodie and Stone Limited	Emma Hardie Limited	Total
	Fair value	Fair value	Fair value
	£000	£000	£000
Deferred consideration at point of acquisition	200	84	284
Settled during period	(125)	-	(125)
Deferred consideration at 31 March 2022	75	84	159
Contingent consideration at point of acquisition	-	644	644
Additional provision in period	-	384	384
Contingent consideration at 31 March 2022	-	1,028	1,028
Total deferred and contingent consideration at 31 March 2022	75	1,112	1,187

Deferred tax

The valuation of intangibles on acquisition gives rise to a deferred tax liability. The deferred tax liability is measured using the value of the intangible asset at the deferred tax rate. This deferred tax liability creates a corresponding asset which has been included in goodwill.

9. Status of information

In accordance with section 435 of the Companies Act 2006, the directors advise that the financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 March 2022 or 2021, but is derived from these financial statements. The financial statements for the year ended 31 March 2021 have been delivered to the Registrar of Companies. The financial statements for the year ended 31 March 2022 have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements for the year ended 31 March 2022 will be forwarded to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on these financial statements; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The consolidated statement of financial position at 31 March 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended have been extracted from the Group's financial statements. Those financial statements have not yet been delivered to the Registrar.

The strategic report with supplementary material is expected to be posted to Shareholders shortly. The annual report and accounts will also be available on the Company's website at: www.creightonsplc.com and in hard copy to shareholders upon request from the Company’s registered office at 1210 Lincoln Road, Peterborough, PE4 6ND.

The annual report and accounts for the period ended 31 March 2022 will be uploaded to the National Storage Mechanism and will be available for viewing shortly at http://www.morningstar.co.uk/uk/NSM

The Directors will notify shareholders when the accounts are posted and have been uploaded to the website and to the NSM.

The Company's AGM will take place at the offices of Potter & Moore Innovations Ltd, 1210 Lincoln Road, Peterborough, PE4 6ND on 24 August 2022 at 12:00 noon subject to prevailing Government Covid guidelines.