Creightons Plc   Annual Report 2022

Registered Number 1227964

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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.

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:

- Chairman's statement
- The business model
- A fair review of the Group's business
- Strategy, objectives and future developments
- Key performance indicators
- Principal risks and uncertainties
- Section 172 statement
- Corporate and social responsibility
- Task Force on Climate-Related Financial disclosures (TCFD) report
- Non-financial information statement
- Going concern

Chairman's statement

I am pleased to report that 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) (see note 5).

Group strategic report (continued)

Chairman's statement (continued)

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% (see page 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 (see page 9).

Group strategic report (continued)

Chairman's statement (continued)

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.

William McIlroy
Chairman, 11 July 2022

Group strategic report (continued)

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 - 5.

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 2016 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. In the year ended March 2022 the Group completed the acquisition of Emma Hardie and Brodie & Stone businesses.

An interim dividend of 0.15p was paid during the year. However the directors do not recommend the payment of a final dividend due to the challenging and volatile economic conditions facing the Group and the need to be prudent about utilisation of cash resources. (Full year 2021: 0.65p).

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.

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. A significant amount 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 marketplace range from major multinational corporations to small businesses. Production is now world-wide, with many competitors sourcing a significant proportion of their products from outside the UK, either due to greater economies of scale or due to a lower cost base.

The Group purchases its raw materials and components from an extensive range of suppliers in the UK and internationally and has built up a significant contact network to keep up to date with prices and market developments. We have a skilled team of employees working throughout the supply chain, including procurement, technical, manufacturing and logistics.

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

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. These sales are increasingly made direct to consumers. All stock is manufactured to forecast. Key brands include Feather and Down, Balance Active and The Curl Company and the brands added during the current year Emma Hardie and T-Zone.
- private label business which focuses on high quality private label products for major high street retailers and supermarket chains, with the majority of stock manufactured to forecast.
- contract manufacturing business, which develops and manufactures products on behalf of third-party brand owners and typically manufactured to order.

Each of these business streams is supported by commercial and marketing teams.

In general markets have returned to their pre Covid-19 levels and we have seen increase across all areas of the business as customers return to pre Covid-19 behaviour. In the year to 31 March 2021 the Group generated significant one-off sales of hygiene related products which did not repeat in the year to 31 March 2022. However the Group has been successful in replacing this hygiene business by growth in its underlying core business and through acquisitions.

Group strategic report (continued)

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.

The sales generated by each sales stream are;

	2021/22	2020/21	Movement
	£000's	£000's	
Branded products (core)	16,491	11,980	Increase of 37.7%
Branded products (acquisitions)	3,630	-	
Private label	24,908	22,751	Increase of 9.5%
Contract manufacturing	15,866	12,275	Increase of 29.3%
Hygiene products *	256	14,587	Decrease of 98.2%
Other	6	12	Decrease of 50%
Total	**61,157**	**61,605**	Decrease of 0.7%

* Hygiene products relate to the sales which increased in the prior year due to the Covid-19 pandemic and have not been repeated in the current year.

The Group considers the acquisition, development and investment in new brands to be key in adding value to the business. We will dispose of brands which we have successfully grown but are no longer part of our core business.

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 recently acquired, such as Emma Hardie, T Zone and Balance Active, or developed internally and successfully launched such as The Curl Company.

The Group invests significant resources in developing new products, ensuring the group adheres to regulations in all of the markets it operates in and is forward looking to address future developments in what is a highly regulated market.

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 manufacturing and own brands) within the UK and increasingly overseas.
- Invest in our Business to Consumer business to take advantage of the change in consumer purchasing patterns.
- 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.
- Develop our staff and skill base to meet all of the needs of the business and ensure all employees are rewarded, through profit related bonuses and share options, for their contribution to the success of the business.

The process for outsourcing the warehousing and distribution of the finished goods to a third-party logistics provider was completed in the year ended March 2021. This has been, and will continue to be, key to allow the Group to deliver sales growth within the constraints of the current facilities. Raw materials and components continue to be stored on site adjacent to the manufacturing facilities at Peterborough and Tiverton.

Group strategic report (continued)

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 to maximise the Group's market share and deliver new opportunities for growth. The spend in the year on research and development was £852,000 (2021: £832,000).

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.

Key performance indicators

Management and monitoring of performance

The directors are mindful that although Creightons Plc is a UK Listing Authority "premium" listed company, given its size 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

These Key Performance Indicators are used to gauge and compare performance in terms of meeting our strategic and operational goals.

- Sales shows the growth of the business.
- Gross margin % (revenue less cost of goods sold, over revenue) indicates production and purchasing efficiencies.
- Operating profit (gross margin less operating expenses) shows profit earned from the normal business operations.
- Profit for the year shows the return to shareholders.
- EBITDA (Earnings before Interest, Tax, Depreciation & Amortisation) provides a reflection of the operating profitability of the business.
- Return on capital employed (Operating profit/Employed Capital + Long & short term debt) ensures that the business generates sufficient returns to pay for its cost of capital.
- Net Gearing (Total net debt/Shareholders' funds) shows the extent to which operations are funded by lenders versus shareholders.
- Net cash on hand shows the immediately available cash for use in operating activities or available for investments.
- Stocking levels shows the working capital currently invested in inventory.

	2021/22	**2020/21**	**Movement**
	£000	£000	
Sales	61,157	61,605	Decrease of 0.7%
Gross Margin	42.8%	40.6%	Improvement of 2.2%
Profit for the year	3,110	4,334	Decrease of 28.2%
Operating profit	4,365	5,393	Decrease of 19.1%
Operating margin	7.1%	8.8%	Reduction of 1.7%
EBITDA	5,944	6,942	Decrease of 14.4%
Return on capital employed	12.9%	22.4%	Reduction of 9.5%
Net gearing (including obligations under leases)	28.7%	(13.0%)	Increase of 41.7%
Net cash on hand	(2,126)	6,155	Decrease of 134.3%
Stocking levels	12,479	8,318	Increase of 50.0%

Group strategic report (continued)

Key performance indicators (continued)

EBITDA is calculated by adjusting the operating profit for depreciation and amortised development costs as detailed below.

	2022	2021	Movement
	£000	£000	
Operating Profit	4,365	5,393	Decrease of 19.1%
Depreciation	1,144	1,052	Increase of 8.7%
Amortisation	435	497	Decrease of 12.5%
EBITDA	5,944	6,942	Decrease of 14.4%

Net Gearing is calculated by taking the total net borrowings over the total equity as detailed below.

	2022	2021	Movement
	£000	£000	
Total Lease liabilities	1,167	1,143	Increase of 2.1%
Total Borrowings	7,049	2,812	Increase of 150.7%
Less cash on hand	840	6,558	Decrease of 87.2%
Total net borrowings	7,376	(2,603)	Increase of 383.4%
Net equity attributable to the equity shareholders of the parent Company	25,678	20,086	Increase of 27.8%
Net gearing %	28.7%	(13.0%)	Increase of 41.7%

Return on Capital Employed is calculated by dividing operating profit by net equity plus lease liabilities and borrowings. See below.

	2022	2021
	£000	£000
Operating Profit	4,365	5,393
Net Equity	25,678	20,086
Lease liabilities	1,167	1,143
Borrowings	7,049	2,812
Return on Capital Employed	12.9%	22.4%

Health and Safety

There was 1 incident involving employees or contractors on the Group's sites which was required to be reported to the Health & Safety Executive during the year (2021: 2). This did not result in adverse HSE reports or recommendations. The individual involved has fully recovered and was 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 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. Further details are set out in Notes 23 and 24.

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.

Group strategic report (continued)

Principal risks and uncertainties (continued)

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 is 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.

Group strategic report (continued)

Principal risks and uncertainties (continued)

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.

Section 172 statement

This section serves as our section 172 statement. 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 Group's employees and other stakeholders, including the impact of its activities on the community, the environment and the Group'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 Group 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 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 Group 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 Group's 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 Group'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. Our customers range from high quality department stores to value-driven discounters, with the high street supermarkets and drug stores in the middle together with brand owners within our contract division.

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 Group 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. We monitor our suppliers' performance including adherence to our 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. We work proactively with our suppliers to support our vegan and cruelty-free claims on our products and to ensure we are up to date with the latest technology and market trends.

Community
We are aware of the impact the business can have on the quality of life, environment and economy of those in the location in which the Group operates.

Group strategic report (continued)

Section 172 statement (continued)

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
Acquisition of Emma Hardie	• *The acquisition strengthens our brand portfolio and offering by moving the own brand business into a higher end group of consumers, retailers and digital platforms. This will drive an increased return for shareholders and secure employment for the Group's employees.*
Acquisition of Brodie & Stone	• *The acquisition enhances the current brand portfolio by strengthening the coverage and category presence with key mainstream retailers in the UK and international markets, in the core performing categories of both skincare and haircare and delivering an increased return for shareholders.*
Acquisitions of both Emma Hardie and Brodie & Stone	• *Opportunities for manufacturing and management synergies will drive a higher return in the brand, as well as significant opportunities for extending the distribution of the brands in the UK market and in international markets and will deliver an increased return for shareholders.* • *The investment in acquisitions increases gearing, although this reduces security for creditors this remains strong beforehand, and investment has been made to the benefit of the future strength of the Group and increasing security for creditors in the longer term.*
New loan & extended bank facilities	• *Provided ongoing funding to ensure continued adequate resources for the business to ensure the Group can continue to operate for the benefit all of stakeholders.*
Supply chain	• *In response to global supply chain pressures we have engaged collaboratively on a strategic level with a number of key suppliers to ensure ongoing continuity of supply for the business at competitive prices for the benefit of employees, customers, suppliers and shareholders.*
Customer price recovery	• *Established ongoing levels of communication with our customers to facilitate transparent dialogue in relation to the requirement for cost price increases and cost mitigation measures.*
Effective employee engagement	• *Conducted our first employee engagement survey and have committed to respond positively for the benefit of all employees.*
Investment in our online sales via own website and third party platforms	• *To maximise the sales opportunities as consumers moved to online purchasing to the benefit of all stakeholders.*
Continue to assess and mitigate the risks associated with Brexit and the potential impact on the business	• *Established a structure and procedures to mitigate the risks and manage the costs associated with imports from the EU.* • *Ensure all products and materials are registered in and meet the technical requirements of both the EU and UK to ensure all customers' needs are satisfied.* • *Re-organise sales to EU customers to minimise their risks and costs and ensure the smooth movement of goods and maximise sales opportunities for the benefit of all stakeholders.*
Ongoing operational impact of Covid-19	• *Continued to manage the risks to the Group by creating a safe and secure workplace for our employees so that the opportunities can be delivered.* • *Replaced the £14.6m of hygiene sales in the previous year for the benefit of all stakeholders.*
Sustainability	• *Introduced TCFD reporting for the first time as detailed in TCFD reporting on pages 14 to 16.* • *Prepared for implementation of the Plastic packaging tax including measures to reduce plastic content in our componentry. This includes collaborative working with customers on product reengineering.*
Share Options issues during the year	• *Continue to incentivise the Group's employees, rewarding their loyalty and success, whilst also contributing to the growth of the business and thereby enhancing shareholder value over the long term.*
Dividend policy	• *The Directors do not propose a final dividend for the year ended 31 March 2022 due to the challenging and volatile economic conditions facing the Group. This is consistent with the directors' objective to align future dividend payments to the future underlying earnings and cash requirements of the business and the need to be prudent about utilisation of cash resources.*

The Board ensures that items requiring Board approval highlight relevant stakeholder considerations to be reviewed 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.

Group strategic report (continued)

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.

The Group is committed to operating in an honest way and without the use of corrupt practices or acts of bribery to obtain an unfair advantage. The Group has an Anti-bribery policy which prohibits bribes, gifts, inappropriate entertainment and hospitality as well as the avoidance of conflict of interest through personal or other relationships.

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 amounts 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 a 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.
- Prepared for implementation of the Plastic packaging tax in April 2022 including measures to reduce plastic content in our componentry. This includes collaborative working with customers on product reengineering.
- TCFD measures are in the early stages, we have engaged with consultants, begun developing our strategy and have in place a detailed plan for the next 12 months.

The tables below show the number of employees by gender in the Group as at 31 March 2022 and 31 March 2021.

	Group 2022		Company 2022	
	Female	Male	Female	Male
Directors, including Non-executive Directors	1	6	1	6
Senior Managers	3	5	-	-
Other employees	325	183	-	-

	Group 2021		Company 2021	
	Female	Male	Female	Male
Directors, including Non-executive Directors	1	6	1	6
Senior Managers	2	3	-	-
Other employees	343	194	-	-

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)

Task Force on Climate-Related Financial disclosures (TCFD) reporting

The Group is committed to the challenge of improving climate-related risk assessment and risk management as part of a wider sustainability strategy that endorses and adopts the key recommendations of TCFD. As a premium listed company and in accordance with FCA rules the statement below discloses where we are on our sustainability journey in terms of implementing the key recommendations of TCFD. The plan is in the early stages, where we have engaged consultants, begun developing our strategy and have in place a detailed plan for the next 12 months.

Governance

The Board's oversight of climate-related risks and opportunities

The business has appointed Martin Stevens, Group Managing Director of Manufacturing since April 2022 and previous to that Group Technical Director and Deputy Managing Director, and a member of the Creightons plc Board since 2015, with the responsibility for climate change and sustainability-related matters since then.

The Board have addressed sustainability issues related to climate change in 2021/22 on a case-by-case basis. For example, the Board have signed off on capital expenditure for energy efficiency and process improvement projects including replacement boilers, LED lighting and compressed air. On a strategic level the Board has commissioned appraisals of an automated CIP (clean-in-place) for the main plant in Peterborough and the feasibility of installing solar panels at both production sites. There is a plan for formal updates in 2022/23 on a half yearly basis comprising the outputs of risk assessments, KPIs and progress against targets.

The Board have also been responsible for the approach adopted by the Group in its day to day business. When developing products with customers, the business has been proactive in its approach to considering whole life costs and implementing sustainable options across raw materials and packaging to ensure customers can achieve their sustainability commitments.

Management's role in assessing and managing climate-related risks and opportunities

The business has established an environmental committee and three meetings were held in 2021/22. The senior management team met on two occasions subsequently to review the sustainability strategy overall during which the composition and remit of the environmental committee was reviewed. It has been agreed to formalise the role of the environmental committee to become the sustainability committee with representatives from across the business including Finance, Heads of Production (both plants), Quality, Procurement, Packaging, and R&D and to adopt a more rigorous risk assessment process. The sustainability committee will play a significant role in developing the strategy in 2022/23 through a programme of workshops with our external consultants.

Strategy

The climate-related risks and opportunities the organisation has identified over the short, medium and long-term

The following time horizons are used by the business for corporate planning and business strategy:
Short-term: 0-12 months Medium-term: 1-3 years   Long-term: 3-10 years

Sustainability issues are inherent to and incorporated into the business strategy but the formal process for the identification, assessment and management of climate-related risks and opportunities, does require further enhancement, making it difficult to separate them over the short, medium and long-term.

Key aspects in the short and medium-term include working with customers to include sustainable raw materials without compromising on product performance, recommending suitable sustainable options or alternatives in packaging and investing in ways to improve energy efficiency and reduce waste in the manufacturing process.

We expect customer preferences to move in the long or medium term towards suppliers and products with low environmental impact. We must ensure that we and our supply chain are able to respond to these changing consumer trends. The current business investment in a comprehensive sustainability strategy leading to a net zero carbon roadmap in 2022 will mitigate this risk and exploit the potential for more sustainable products as a competitive advantage.

The next short-term step is to implement a series of workshops in 2022 under the guidance of external consultants, who have already been engaged, to help develop the net zero carbon roadmap for the business. This will include a specific review of climate-related risks and opportunities to sit alongside areas of product development where there has been substantial progress, such as the responsible sourcing of palm oil and investment in energy efficiency. The Group does have a risk assessment process in place and some sustainability issues have been assessed. It is recognised that there is a need to link climate-related risks more formally to the business strategy and it is planned for this to be effective by the end of 2022.

Group strategic report (continued)

Task Force on Climate-Related Financial disclosures (TCFD) reporting (continued)

The impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Sustainability and climate-related considerations are integrated into the business strategy across a number of different areas:

The business works with customers to enhance the sustainability of the products we manufacture helping them to meet their sustainability commitments. This includes prioritising the use of sustainably source palm oil, with the Company being a member of the Roundtable for Sustainable Palm Oil (RSPO) and has held its Supply Chain Certification Standard since 2014. In 2021/22, 98% of palm derived materials used are from an RSPO sustainable source. The remaining 2% are covered by RSPO PalmTrace certificates. All raw natural raw materials are checked on the IUCN Red List to ensure no threatened plant species are used in products. The business is committed to minimizing packaging, using FSC board wherever possible, and promoting the use of post-consumer resin (PCR) as appropriate across all substrates PE, PET and PP.

There has been a focus to onshore some supplier manufacturing activities to reduce transportation and distribution distances and associated emissions and the business is starting to engage further with suppliers about their actions to improve sustainability and reduce environmental impacts.

Onshoring of manufacturing will also deliver greater traceability of products and higher social and environmental standards. Capital projects are evaluated with reference to financial returns on a whole lifecycle basis and on their impact on sustainability metrics e.g. energy or waste reduction, with a number of key projects ongoing.
From an adaptation and mitigation perspective a potential flooding risk has been identified at our principal manufacturing site at Peterborough and business continuity plans have been reviewed across both sites. The risk is considered to be low but these plans help mitigate the impact of any potential disruption that may occur from the physical impacts of climate change such as extreme weather events or flooding.

The financial planning of the business incorporates the risk management by Procurement of a number of key materials where availability may be affected by climate risks, including palm oil.

Potential acquisitions are evaluated for sustainability along with other key criteria given the growth potential in this part of the market.

The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree C or lower scenario

The business has not performed climate-related scenario analysis at this stage and is non-compliant on this point. Given that the business is relatively early on in the implementation of its strategic review of sustainability (currently at stage 1 of a 3-stage process via our sustainability consultants) then scenario planning is best scheduled once the risk assessment has been completed and other recommendations have been strengthened further. It is expected, based on the workshop schedule in place for 2022/23, that scenario analysis will take place in early 2023.

<u>Risk management</u>

The organisation's processes for identifying and assessing climate-related risks

The board of directors are responsible for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board policies on risk management and control. The system of control is designed to manage rather than eliminate risk of failure to achieve the Group's business objectives.

Consideration is given to broad sustainability and related climate change issues in customer strategy and product development, such as the sustainable sourcing of raw materials, recyclable and recycled content in packaging and meeting customer expectations around sustainability. The further addition of specific climate-related risks to the current risk assessment management process is planned for 2022/23. For example, several key customers have committed to achieving net zero emissions by 2040 as well as other specific commitments to improve the sustainability of products. The overall risk assessment takes account of the fact that customers need the right supply partners for the long term and will buy elsewhere if expectations cannot be met. Moreover, consumers are increasingly expressing a preference for sustainable products in general and for products that do not contribute to climate change in particular.

The organisation's processes for managing climate-related risks

Climate-related risks would be managed by the Group in the same way as other principal business risks. The system of control is designed to manage rather than eliminate risk of failure to achieve the Group's business objectives and can only provide a reasonable not absolute assurance against material misstatement or loss. The Board has established a process for managing the significant risks faced by the Group with this ongoing process reviewed regularly by the Board and in accordance with the internal control guidance issued by the Financial Reporting Council.

The business is proactively working with customers to enhance the sustainability of products and is developing its own strategy to achieve net zero in line with customer commitments.

Group strategic report (continued)

Task Force on Climate-Related Financial disclosures (TCFD) reporting (continued)

Processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

As per the above points on Risk Management, processes for managing climate-related risks are integrated into the overall risk management framework. The specific risk assessment for climate-related risks will be part of the 2022 consultancy workshops and will result in an enhanced process by the end of 2022/23.

Metrics and Targets

The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Scope 1 and 2 emissions are quantified as part of Streamlined Energy and Carbon Reporting (SECR) and an emissions intensity target has also been established. A number of sustainability metrics are also recorded such as energy and water usage, recycled content in packaging materials, and the use of responsibly sourced palm oil. Further metrics are under review by the sustainability committee for formal submission to the Board.

An assessment of Scope 3 emissions is planned in 2022 to identify key emission hotspots within the value chain. There is a commitment from the Board to align to the British Retail Consortium Climate Action Roadmap with the goal of reaching net-zero emissions by 2040. As part of this commitment the Board will review the inclusion of a Science-Based Target (SBT) in the future to strengthen the target.

Disclose Scope 1, Scope 2, and if appropriate Scope 3 Greenhouse Gas (GHG) emissions, and the related risks

Streamlined Energy and Carbon Reporting disclosures can be found on page 18.

Scope 1 and 2 emissions are quantified in the SECR disclosure and a screening assessment of Scope 3 emissions is planned for FY 2022/23. There is a plan in the carbon roadmap workshops for 2022 to identify key emission sources and ways to enhance emission reduction activities.

The targets used by the organisation to manage climate-related risks and opportunities and performance against targets

The emissions intensity target established in 2019 is to reduce tonnes CO_2 per £m cost of sales by 5% per annum against the 2019 baseline over 5 years ending Mar 24. It is planned to introduce a SBT to replace the intensity target in March 2023 which is linked to Scope 1, 2 and 3 emissions.

Given current performance as reported in the SECR disclosure and the commitment to the net-zero carbon roadmap to be developed in 2022/23 the ambition of this target will be reviewed in preparation for the FY 2022/23 annual report.

Group strategic report (continued)

Non-financial information statement

This Annual Report and in particular this Strategic Report, contains the information required to comply with the Companies, Partnerships and Groups (and Non-Financial Reporting) Regulations 2016, as contained in sections 414CA and 414CB of the Companies Act 2006.

The table below provides key references to information that, in conjunction with the TCFD Report, comprises the Non-Financial Information Statement for the year ended March 2022.

Reporting requirement	Group Policies that guide our approach	Information and risk management, with page references
Environmental matters	Group Environmental, Health, Safety, Energy and Sustainability Policy	• TCFD report on pages 14 – 16 • Section 172 statement on pages 11 - 12 • Strategy, objectives and future developments on page 7
Employees	Group Environmental, Health, Safety, Energy and Sustainability Policy	• Section 172 statement on pages 11 - 12 • Disabled persons on page 13 • Health and Safety on page 9
Social matters	Corporate and social responsibility policy	• Corporate and social responsibility on page 13
Respect for human rights	Modern Slavery and Human Trafficking Policies	• Corporate and social responsibility on page 13 • Suppliers on page 10
Anti-corruption and anti-bribery matters	Group Anti-Bribery and Corruption Policy	• Corporate and social responsibility on page 13
Description of the business model	Environmental As a manufacturing business we understand that we must continue to evolve in order to meet the needs of our stakeholders. The Group continues to improve its environmental credentials in a commercially viable manner. We are taking proactive steps to build on this as set out in our first report under the TCFD framework on pages 14 – 16. Social The foundation of the Group's strength is its people. The Group's policy is to employ people who embody its core values of quality, service and innovation. These values apply to all employees regardless of position. Governance The Group's arrangements are set out in the Corporate Governance section on pages 23 – 25.	
Description of the principal risks in relation to the above matters, including business relationships, products and services likely to affect those areas of risk, and how the Group manages the risks		• Principal risks and uncertainties on pages 9 - 11
Non-financial key performance indicators		• TCFD report on pages 14 - 16

The Modern Slavery policy can be located at www.potterandmoore.com

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 30 June 2022 is negative £0.6m. We have carried out a review of our cash requirements for the next 12 months. Scenarios modelled included the removal of the Group's largest customer and increases of 20% in costs of raw materials or overheads. These models show that even without management tackling current overhead levels or increasing prices to customers, the Group would not fully utilise available working capital resources over the next 12 months. 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 11 July 2022 and signed on its behalf by:

Bernard Johnson
Managing Director

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 2022. The corporate governance statement set out on pages 23 to 25 forms part of this report.

The Strategic Report on pages 3 to 17 provides a fair review of the Group's business for the year ended 31 March 2022 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 13 covers Disabled Persons practice.

The Strategic Report on page 17 covers the Going concern policy.

Dividends

The Directors do not propose a final dividend for the year ended 31 March 2022 (2021: 0.50 pence). The 2021 final dividend of 0.50 pence per ordinary share and an interim 2022 dividend of 0.15 pence per ordinary share were paid during the year total 0.65p (2021: 0.65p).

Greenhouse gas (GHG) emissions

GHG emissions data for the year from 1 April to 31 March		
	Global tCo2e	
	2022	**2021**
Combustion of fuel and operation of facilities	626	621
Electricity, heat, steam and cooling purchased for own use	436	515
Total	**1,062**	**1,136**
Tonnes of Co2e per £m of cost of sales	*30.3*	*31.0*
	kWh used	
	2022	**2021**
	000's	**000's**
Energy consumption	5,468	5,568

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 only, the overseas operations consumption of energy is minimal. The figures are reported under the location-based method which reflects the average emissions intensity of the grids on which energy consumption occurs (using mostly grid-average emission factor data), namely the UK grid for the Group.

The key sources for emissions are gas and electricity. We have not included Co2e emissions from Group employees' travel, which we considered immaterial. Measures taken to date include the installation of a new, more energy efficient boiler at the Peterborough site and installation of new LED lighting at both sites.

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 2024. The Group is currently ahead of this target, however it is planned to introduce a Science Based Target (SBT) to replace the intensity target in March 23 which is linked to Scope 1, 2 and 3 emissions. The ambition of this target will be reviewed in preparation for the annual report for the year ended 31 March 2023.

Capital structure

The issued share capital is detailed in note 25. 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 26.

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

Directors' report (continued)

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 23 to 25. Directors are required to retire upon the third anniversary of their last election.

Under the terms of resolution 12 at the 2021 AGM, the Company has the authority to issue without pre-emption rights 3,242,612 ordinary shares, being 5% of the issued share capital at that time. This authority expires after 15 months from its date of adoption (25 November 2022) 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.

Under the terms of resolution 13 at the 2021 AGM, the Company has the authority to purchase 1p ordinary shares up to a maximum aggregate nominal value of £32,426.12, being 5% of the issued share capital at that time, 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 the purchase and the minimum price of 1p. This authority expires after 15 months from its date of adoption (23 November 2022) 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.

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.

Business Relationships

Our directors and employees foster great business relationships with all of our external stakeholders. Further information on the matter is included in the section 172 Statement on pages 11-12.

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 year. There are Works Councils on both of the Group's 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 11 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– (Non-executive Director from 01 April 2021 – formerly Group Finance & Commercial Director)
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.

Directors' report (continued)

Philippa Clark – Deputy Managing Director
Ms Clark has worked within the industry for 22 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 Group'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 Deputy Managing Director since 8 July 2020.

Martin Stevens – Deputy Managing Director
Mr Stevens is a Chartered Chemist and has worked in the cosmetics industry for 34 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 Group's principal trading business) and Creightons Plc for the past 15 years. He was appointed Group Managing Director of Manufacturing in March 2022 including responsibility for climate-related risks and opportunities. 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 – Non-executive Director - formerly Group Finance & Commercial Director
Mr Forster was appointed Non-executive Director on 01 April 2021 after retiring from his full time executive role as Group Finance & Commercial Director. Paul has been with the Potter & Moore Innovations business for 33 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.

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. Nicholas O'Shea and William Glencross retire at the next annual general meeting at the end of their three-year term of office and, being eligible to do so, offer themselves for re-election.

Substantial shareholdings

At 31 March 2022 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	23.25%
Mr & Mrs B Geary	6,273,427	8.99%
Mr BJM Johnson	5,245,844	7.52%
Messrs S & A Chandaria	3,500,000	5.02%
The Estate of Mr T Amies	2,580,000	3.70%
Mr B Dale	2,451,740	3.51%

Mr Forster disposed of 46,000 shares on 12 April 2022. There have been no other sales of ordinary shares during the period between 31 March 2022 and 30 June 2022.

Directors' report (continued)

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.

Financial instruments
The Group's financial risk management objectives and policies are discussed in Note 21 to the Consolidated Financial Statements on pages 75 to 78.

Resolutions to be proposed at the Annual General Meeting to be updated

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 2022.

2. To receive and approve the directors' remuneration report for the year ended 31 March 2022.

3. To approve the directors' remuneration policy as detailed in pages 32 to 35 of the directors' remuneration report.

4. To re-elect Mr William Glencross, who is retiring by rotation under the provisions of Article 76 of the Articles of Association, who, being eligible, offers himself for re-election as a director of the company.

5. To re-elect Mr Nicholas O'Shea, who is retiring by rotation under the provisions of Article 76 of the Articles of Association, who, being eligible, offers himself for re-election as a director of the company.

6. To re-appoint Mazars LLP as auditors and to authorise the directors to determine their remuneration.

7. 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 £232,520.61 being a further one third of the Company's present issued share capital as a rights issue.

8. 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 £34,878.09 being 5% of the Company's present issued share capital, without first offering them as a rights issue to existing shareholders.

9. 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 £34,878.09 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 25 August 2021 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.

Directors' report (continued)

Viability statement

In accordance with the UK Corporate Governance Code 2018, the directors have assessed the viability of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of 5 years. In making this statement, the Directors have carried out a robust assessment of the Group's current position and prospects, the principal risks facing the business, the impact of sensitivity analysis, together with the Group's principal risks and uncertainties (outlined in the Strategic Report on pages 9-11).

The Group continues to take advantage of opportunities as evidenced by the two business acquisitions in the current year. The Group has flexible manufacturing capabilities at both sites and has the ability to respond to changes in consumer and market trends as appropriate.

The Group continues to be able to successfully manage employees, the supply chain and customers, and considers the managing of all three relationships key in the medium term particularly due to the challenges presented by the current economic climate. This assessment is based on our ability to retain existing borrowing facilities and to continue to sell our products and brands to existing and new customers. We have performed a going concern assessment which confirms the Group has adequate resources to continue in operational existence for the foreseeable future. This assessment also included various sensitivity analysis including the loss of the Group's largest customer and various scenarios on increasing costs.

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 confirms it has a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the 5 year period of assessment.

Auditor

A resolution to re-appoint Mazars LLP as auditors is being proposed at the forthcoming Annual General Meeting.

By order of the Board

Mr Bernard Johnson
Managing Director 11 July 2022

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 relatively 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.
- There are no independent directors on either the Remuneration or Audit Committees.
- The share options granted to directors have a vesting period of less than 5 years.

Regarding division of responsibilities The Code recommends that the Chairman of a listed company should not hold executive powers, and should be 'independent upon appointment' (provision 9). William McIlroy is both Chairman and Chief Executive Officer, he is also a major shareholder. The Board continues to believe that it is appropriate for William to be both Chairman and Chief Executive Officer due to his in-depth knowledge of the business. Nevertheless, the Board is attentive to the implications of combining the roles and therefore has ensured that safeguards are in place to protect independence and ensure that proper processes and controls are followed. These include: the independent judgement of the Non-Executive Directors, effective functioning committees and robust internal controls. The Board also operates a formal process of performance evaluation with the Chairman and Remunerations Committee regularly reviewing the performance of all members of the Board.

Additionally, the Chairman has been in place beyond nine years which the Board consider appropriate given his wide business and industry experience and ensuring business continuity.

The board appointed Paul Forster as a Non-Executive Director following his retirement as an executive at the end of March 2021. We believe this will enable Paul to continue to give the Company the valuable benefit of his years of experience in the industry and with the Company.

With regard to the issue of share options to directors with a vesting period of less than 5 years, options have been issued with a vesting period of 3 years in line with options issued to other group employees. These options are issued under the Company Share Option Plan which was approved by shareholders in 2018.

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 has an Equal Opportunities policy which encompasses our commitment to diversity. Under this policy the aim is to ensure that all employees are treated equally, irrespective of sex, sexual orientation, marital status, age, disability, race, colour, religion, ethnic or national origin and places an obligation upon all staff to respect and act in accordance with this policy. The open management style ensures that everyone is given opportunities to progress.

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	Non-executive Director

Corporate governance statement (continued)

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 recognises the lack of independent Directors, however the existing Non-executive Directors provide extensive industry, market and business knowledge which benefits the strategic decisions of the Group. The Board considers this expertise is considered more beneficial than the cost of appointing independent Directors. 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.

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 9 to 11. This includes the management of the risk from cost increases due to global supply chain pressures and the corresponding mitigation measures. A senior management team hold regular ongoing meetings to measure the extent of the cost price increase and to determine the appropriate commercial and operational response.

The directors have met as a full board on 13 occasions during the year, including meetings by telephone. The attendance at meetings held during the year to 31 March 2022 for each of the directors is as follows:

Director	Board meetings	Remuneration Committee	Audit Committee
William McIlroy	12	-	-
Bernard Johnson	13	-	-
Nicholas O'Shea	12	3	3
William Glencross	12	3	3
Philippa Clark	12	-	-
Martin Stevens	13	-	-
Paul Forster	12	3	3

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 considers that the open management style does not limit inclusivity.

Remuneration Committee

The Remuneration Committee consisted of William Glencross, acting as chair, Nicholas O'Shea and Paul Forster. 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.

Corporate governance statement (continued)

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 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 Directors.

Full details of directors' remuneration, shareholdings and share options are noted in the Directors' Remuneration Report on pages 26 to 35.

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 (ACMA CGMA), acting as chair, William Glencross and Paul Forster (FCA). 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 meetings 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 the outcome from the 2021 audit and the plan for the 2022 audit.

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 2022. 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 June 2019.

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 2021 Annual General Meeting and the policy took effect for the financial year beginning on 1 April 2021. 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 2022 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, Nicholas O'Shea who is a Non-executive Director, and acts as secretary to the committee and Paul Forster who joined the committee upon his appointment as a Non-executive Director on 01 April 2021.

The Remuneration Committee determines the remuneration of each Executive Director. During the year ended 31 March 2022, the Remuneration Committee agreed changes to the salaries of the Executive Directors in line with other employees, which became effective on 01 April 2022.

It is envisaged that the other remuneration components for Executive Directors for the year ended 31 March 2022 will be similar to those in place for the year ended 31 March 2021.

Annual report on directors' remuneration

<u>The information provided in this part of the Directors' Remuneration Report is subject to audit</u>

The tables below represent the directors' remuneration for the years ended 31 March 2022 and 31 March 2021. 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	2022					
		Salary and fees	Annual bonuses	Pension	Total	Total Fixed Remuneration	Total Variable Remuneration
		£000's	£000's	£000's	£000's	£000's	£000's
WO McIlroy	1	27	71	-	98	27	71
BJM Johnson	2	92	71	-	163	92	71
P Clark		114	3	6	123	120	3
M Stevens		99	3	9	111	108	3
Total		**332**	**148**	**15**	**495**	**347**	**148**

Mr B Johnson and Mr W McIlroy were entitled to a bonus of £177,000 in respect of the year ended 31 March 2022. They have each waived their entitlement to £106,000 of this bonus and will each receive a bonus of £71,000 and this amount is included in the table above. In waiving this entitlement, they have enabled the Group to pay a bonus to employees with no adverse incremental impact on earnings.

Directors' remuneration report (continued)

Annual report on directors' remuneration (continued)

Equity settled share based payments have been included within the bonus figure, and these have been calculated as their intrinsic value as at the date of grant. No grants in the year ended 31 March 2022 met this criteria.

Director	Note	2021					
		Salary and fees	Annual bonuses *	Pension	Total	Total Fixed Remuneration	Total Variable Remuneration
		£000's	£000's	£000's	£000's	£000's	£000's
WO McIlroy	**1**	26	265	-	**291**	26	265
BJM Johnson	**2**	92	133	-	**225**	92	133
P Clark		109	37	6	**152**	115	37
M Stevens		96	23	9	**128**	105	23
P Forster		70	23	3	**96**	73	23
Total		**393**	**481**	**18**	**892**	**411**	**481**

Mr B Johnson was entitled to a bonus of £265,000 in respect of the year ended March 2021. Mr B Johnson waived £132,000 of his bonus entitlement, and in doing so, enabled the Group to increase bonuses available for other employees with no adverse incremental impact on earnings.

* The 2021 directors' remuneration as a single figure table has been restated for the equity settled share based payments which were granted within the 2021 year which had not been included at their intrinsic value. The effect was to increase the amount included in annual bonus for the following Directors; P Clark £28,000, M Stevens £14,000 and P Forster £14,000.

During the year ended 31 March 2022 the following share options were granted at 97.73p which was the market price at the time of grant. There were no share options granted at a discount during the year ended 31 March 2022 and therefore no amount is included in annual bonuses in respect of the equity settled share based payments.

During the year ended 31 March 2021 share options were granted under the Creightons Plc Share Option Plan 2018, at an exercise price of 36p representing a discount of 14p from the market at the time of grant. The Board considered it appropriate to issue these shares at a discount as an exceptional incentive for these directors. The Board decided not to repeat the issue of share options at a discount during the year ended 31 March 2022.

	2022		2021	
Director	**Number of options**	**Exercise Price**	**Number of options**	**Exercise Price**
WO McIlroy	225,000	97.73p	-	-
BJM Johnson	225,000	97.73p	-	-
P Clark	-	-	200,000	36.0p
M Stevens	-	-	100,000	36.0p
P Forster	-	-	100,000	36.0p

Non-executive Directors' remuneration as a single figure

Director	Note	2022					
		Salary and fees	Annual bonuses	Taxable benefit	Total	Total Fixed Remuneration	Total Variable Remuneration
		£000's	£000's	£000's	£000's	£000's	£000's
NDJ O'Shea	**3**	18	1	-	19	18	1
W T Glencross		17	1	1	19	18	1
P Forster		20	1	3	24	23	1
Total		**55**	**3**	**4**	**62**	**59**	**3**

Director	Note	2021				
		Salary and fees	Taxable benefit	Total	Total Fixed Remuneration	Total Variable Remuneration
		£000's	£000's	£000's	£000's	£000's
NDJ O'Shea	**3**	17	-	17	17	-
W T Glencross		17	2	19	19	-
Total		**34**	**2**	**36**	**36**	**-**

Directors' remuneration report (continued)

Note
1 Mr McIlroy earned a salary of £27,000 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 a service fee of £82,000 and any bonus payments made to his service company, Carty Johnson Limited.
3 Mr O'Shea earned a salary of £18,000 for his services as a non-executive director.
4 All other directors' remuneration is paid directly to the individual directors.

Taxable benefits

The taxable benefits for Mr William Glencross & Mr Paul Forster relate to their membership of the Group's medical scheme, which commenced prior to them stepping down as Executive Directors.

Payments for loss of office

No Executive Directors left the Company during the year ended 31 March 2022 and therefore no payments in respect of compensation for loss of office were paid or payable to any director (2021: Nil).

Share options

During the year ended 31 March 2022 options were exercised by the following directors.

Director	Number of options	Exercise price	Market price on date of exercise	Gain on exercise £000's
P Clark	200,000	4.50p	108.00p	207
P Clark	100,000	26.80p	110.00p	83
M Stevens	70,000	26.80p	96.00p	48
M Stevens	111,940	26.80p	78.50p	58
BJM Johnson	200,000	26.80p	95.60p	138
NDJ O'Shea	15,000	26.80p	102.50p	11
W T Glencross	18,500	26.80p	102.50p	14

No share options were exercised by directors during the year ended 31 March 2021.

During the year ended 31 March 2022 the Company has granted a further 225,000 share options to Mr B Johnson and Mr W McIlroy on 10 November 2021, at an exercise price of 97.73p, the market at the time of grant (the "Grant"). These are shown in the table on page 29 and can be exercised between 2024-2031.

During the year ended 31 March 2021 three directors were awarded share options on 08 July 2020, these are shown in the table below and can be exercised between 2023-2030 at an exercise price of 36p, a discount of 14p from the market price at the time of grant.

There is a vesting period of over 3 years for all share options. 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.

Directors' remuneration report (continued)

Directors' shareholdings

The directors who held office at 31 March 2022 had the following beneficial interests in the 1p ordinary shares of the Company:

	At 31 March 2022						
	Shares	Share Options					
Director	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 Vested	Exercise period of 2023 - 2030 price 36.00p Not vested	Exercise period of 2024 -2031 price 97.73p Not vested	Total Options held
Mr W O McIlroy	16,219,275	1,300,000	-	900,000	-	225,000	2,425,000
Mr B JM Johnson	5,245,844	-	-	700,000	-	225,000	925,000
Mr N DJ O'Shea	115,000	-	-	135,000	-	-	135,000
Mr W T Glencross	86,000	-	-	131,500	-	-	131,500
Ms P Clark	851,818	-	-	500,000	200,000	-	700,000
Mr M Stevens	993,758	-	-	218,060	100,000	-	318,060
Mr P Forster	1,078,318	-	-	300,000	100,000	-	400,000

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

	At 1 April 2021					
	Shares	Share Options				
Director	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	Exercise period of 2023 -2030 price 36p Not vested	Total Options held
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	200,000	1,000,000
Mr M Stevens	881,818	-	-	400,000	100,000	500,000
Mr P Forster	1,143,318	-	-	300,000	100,000	400,000

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 2022	Lowest during period	Highest during period
60.5p	54.0p	134.0p

Mr McIlroy's holding noted above includes 14,450,000 (2021: 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.

Directors' remuneration report (continued)

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

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.

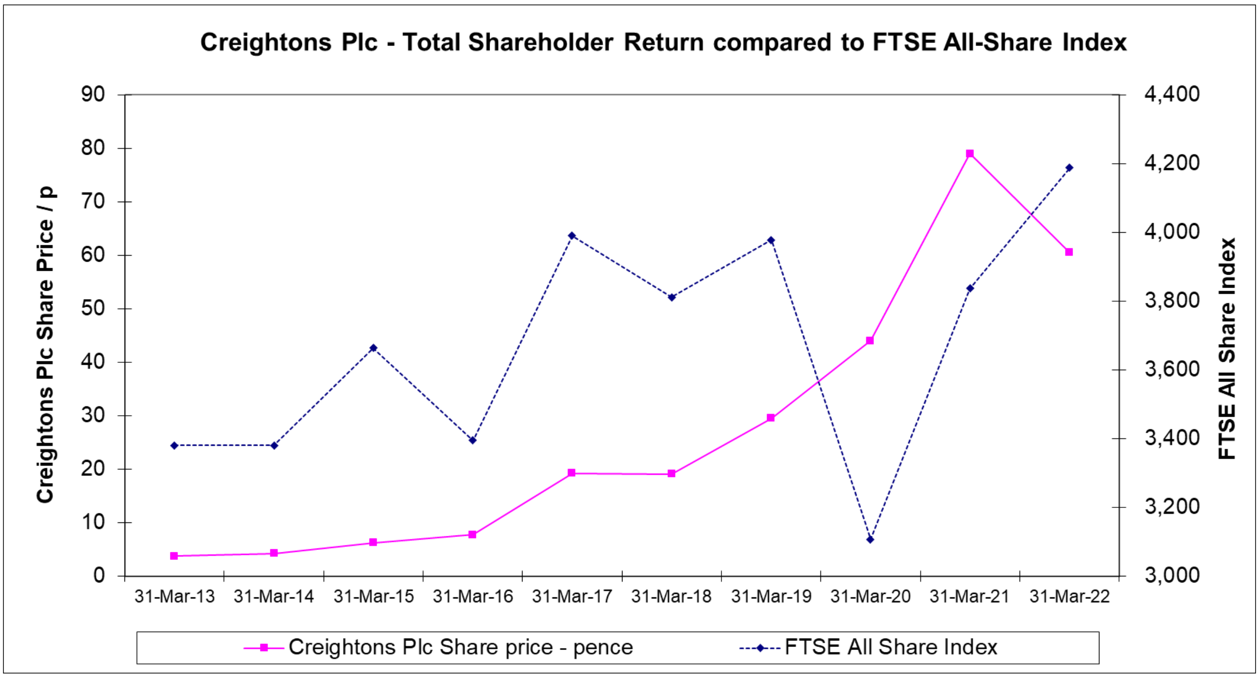


Table of Historical Data

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

Year	Single figure of total remuneration £000's	Annual bonus pay-out against maximum %	Share option scheme exercised against maximum %
2022	163	40% after waiver	22%
2021	291	100%	n/a
2020	291	100%	100%
2019	301	100%	0%
2018	177	100%	n/a
2017	170	100%	n/a
2016	156	100%	n/a
2015	47	100%	n/a
2014	29	100%	100%
2013	20	100%	n/a
2012	16	100%	n/a

Directors' remuneration report (continued)

Percentage change in remuneration of the directors

The table below shows the percentage increase in remuneration of the directors and the Group's employees as a whole between the years ended 31 March 2021 and 31 March 2022.

	2022				2021			
	Salary and fees	All taxable benefits	Annual bonus	**Total**	Salary and fees	All taxable benefits	Annual bonus	**Total**
W McIlroy	3.8%	-	(73.2%)	**(66.3%)**	4.0%	-	33.2%	**29.9%**
B Johnson	0.0%	-	(46.6%)	**(27.6%)**	0.0%	-	(33.2%)	**(22.7%)**
P Clark	4.6%	0.0%	(91.9%)	**(19.1%)**	18.5%	50.0%	362.5%	**46.2%**
M Stevens	3.1%	0.0%	(87.0%)	**(13.3%)**	11.6%	0.0%	187.5%	**24.3%**
P Forster	(71.4%)	(66.7%)	(95.7%)	**(77.1%)**	(16.7%)	(62.5%)	228.6%	**(3.0%)**
N O'Shea	5.9%	-	-	**11.8%**	(22.7%)	-	-	**(22.7%)**
W Glencross	(10.5%)	-	-	**(5.3%)**	5.6%	-	-	**5.6%**

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	25th percentile pay ratio	Median pay ratio	75th percentile ratio
2022	Option B	8:1	7:1	6:1
2021	Option B	14:1	14:1	12:1
2020	Option B	15:1	13:1	11:1

The pay ratio has reduced from previous years as the highest paid Director has waived their entitlement to 60% of their bonus for the year ended 31 March 2022.

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	Total pay and benefits
	£000's	£000's
Highest paid director	92	163
75th percentile employee	25	28
50th percentile employee	21	23
25th percentile employee	19	21

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 2022 and 31 March 2021 and the year on year change.

	Year ended 31 March 2022	**Year ended 31 March 2021**	**Change**
	£000's	**£000's**	**%**
Employee costs	15,489	16,221	(4.5%)
Profit for the year	3,110	4,334	(28.2%)
Dividends paid	428	421	1.7%

Directors' remuneration report (Continued)

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 2021:

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	26,914,409	99.58%	105,893	0.39%	27,028,496	8,194
Directors' Remuneration Policy	26,755,371	98.99%	106,750	0.39%	27,028,496	166,375

Policy report

Remuneration Committee

The Board has established a Remuneration Committee to determine the remuneration of directors of the Company.

Consideration by the directors of matters relating to Directors' remuneration

The members of the Committee during the prior year were Nicholas O'Shea and William Glencross and Paul Forster joined the Committee during the year ended 31 March 2022. In determining the directors' remuneration, the Committee consulted the Chairman. There have been 3 meetings of the Committee during the period, attended by Mr Glencross, Mr O'Shea and Mr Forster. The committee has considered market rates and increases awarded to all employees in determining the base salary increases for the executive directors. The Committee has not sought advice from any consultants during the period.

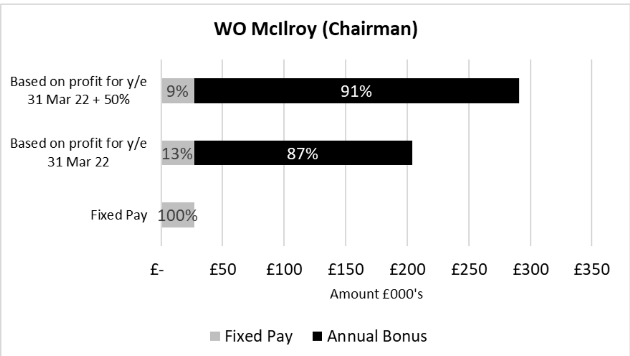
Statement of consideration of employee employment conditions elsewhere in the company

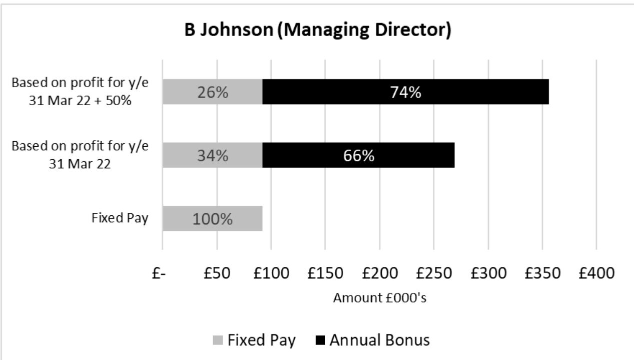
When determining the remuneration of Executive Directors, the Committee considers the pay of employees across the Group. When conducting salary reviews, the average base salary increase awarded to the UK workforce and senior managers across the Group provides a key reference point when determining levels of increase for Executive Director remuneration.

Illustrations of application of the Remuneration Policy

Under the Remuneration Policy a significant portion of the remuneration is variable for Mr McIlroy and Mr Johnson. The variable element of the remuneration is directly linked to the profit of the Group as detailed in the policy below. The remuneration for Ms Clark and Mr Stevens is reviewed in line with all other employees of the Group and also contains a variable element which is payable only if the Group hits the profit target for the period.

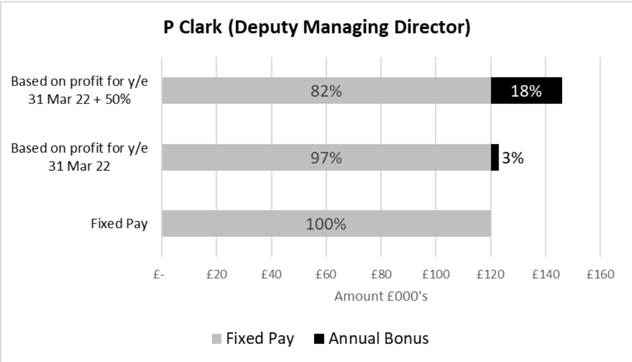
The charts below indicate the level of remuneration that could be received by each executive director in accordance with the Directors' Remuneration Policy at different levels of performance.

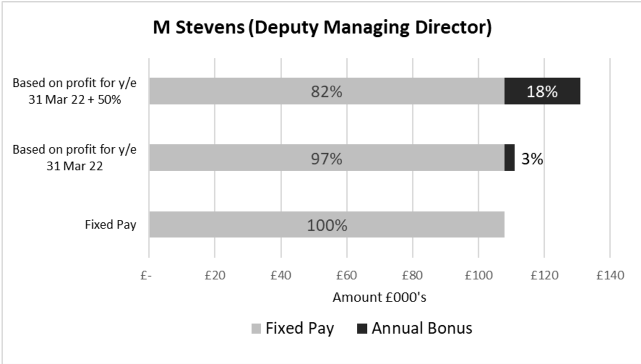




Directors' remuneration report (Continued)

Policy report (continued)





Note: The bonuses for Directors are uncapped and directly related to profits. The charts above illustrate the level of remuneration based on the level of profit as at 31 March 2022 and an increase in profit of 50% from this level. These bonuses are not impacted by an increase in the share price.

Statement of implementation of remuneration policy in the following financial year

There has been no change to the directors' remuneration during the year ended 31 March 2022.

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 in line with those of employees. The last review was undertaken during 2021 and two of the Executive Directors 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. Whilst no absolute maximum is prescribed, increases will take account of other salary increases across the Group. However, in certain circumstances, including changing roles and responsibilities, market levels and individual and group performance, the committee will have discretion to award larger increases.

Pensions

Pension contributions for Executive Directors are broadly in line with other employees. Contracts for Ms Clark and Mr Stevens include contributions to an auto-enrolment pension and fixed defined contributions to Company pension schemes. Pension contributions for the year ended 31 March 2022 were as follows; Ms Clark £6,000 and Mr Stevens £9,000.

The Group has not complied with the requirements of Paragraph 13 of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 that requires disclosure of the cash benefits due to individual Directors as at the year end for any company operated Defined Contribution Pension Schemes. The assets of these Defined Contribution Schemes are held independently of the Group and the Group does not have recourse to the assets of the Schemes. The information was not available to the Group at the time of preparing the financial statements. In the opinion of the Directors this does not mislead the users of the financial statements and their understanding of the business.

Directors' remuneration report (Continued)

Policy report (continued)

Directors' performance bonuses

Bonuses are used to reward contribution to the performance of the Group, aligned to shareholder interests. Whilst no absolute maximum is prescribed the annual bonus is aligned to the performance of the group.

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 2022, 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 after the deduction of tax and National Insurance 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. During the year, a bonus of £177,000 was payable for Mr McIlroy. Mr McIlroy has chosen to waive £106,000 (60%) of his bonus for the year ended 31 March 2022. 40% has been waived to allow for employee bonuses and 20% has been fully waived for the year ended 31 March 2022.

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 after the deduction of tax and National Insurance 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. During the year, a bonus of £177,000 was payable to Mr Johnson. Mr Johnson has chosen to waive £106,000 (60%) of his bonus for the year ended 31 March 2022. 40% has been waived to allow for employee bonuses and 20% has been fully waived for the year ended 31 March 2022.

Messrs McIlroy's and Johnson's contracts have been revised for 2022 for all payment to be made to them in compliance with current HMRC requirements.

The contracts for Ms Clark and Mr Stevens include a Group bonus scheme, where employees are entitled to a bonus of 7.5% of basic pay if the Group hits the profit target for the period and additional payments of up to 14% of earnings (10% for other employees) in relation to key performance indicator targets which were partially achieved during the year. During the year, a bonus of £3,000 was paid to Ms Clark and £3,000 to Mr Stevens, in respect of the year ended 31 March 2022 (2021: Ms Clark £9,000 and Mr Stevens £9,000).

There are no performance conditions against share price for directors. None of the Directors remuneration is paid or payable in shares, therefore a 50% increase in share price would have a £nil effect on remuneration.

Share option schemes

The policy of the Company is to grant share options to all employees including both Executive and Non-executive Directors as a further incentive to align with the interests of shareholders. Options are granted periodically at the discretion of the Board and on approval by the Remuneration Committee to Directors and certain key employees who in the opinion of the Board are in a position to contribute to the long term growth of the business.

Options will normally be granted at market value on the date of grant with a vesting period of three years. However the options may be granted at a discount to the market value upon approval by the Remuneration Committee.

Recruitment

On appointment or promotion, base salary levels will be set taking into account a range of factors including market levels, experience, internal relativities and cost. If an individual is appointed on a base salary below the desired market positioning, the Committee retains the discretion to re-align the base salary, contingent on individual performance, which may result in a higher rate of annualised increase above ordinary levels.

Loss of office

Any loss of office payment will be approved by the Remuneration Committee. Any payment will be made at discretion and on a case-by-case basis. Any payments made beyond contractual and statutory obligations would be exceptional in nature either due to additional obligations taken on by the departing Director or due to specific circumstance and always benchmarked against market practice.

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 2022	12 months
WO McIlroy (director's contract with employer)	16 Jan 2002	1 Apr 2022	12 months
BJM Johnson (director's contract)	16 Jan 2002	1 Apr 2022	12 months
BJM Johnson (manager's contract with employer)	16 Jan 2002	1 Apr 2022	12 months
NDJ O'Shea (non-executive)	5 Jul 2001	1 Apr 2022	3 months
WT Glencross (non-executive)	31 Jul 2005	1 Apr 2022	3 months
P Clark (Deputy Managing Director)	9 Feb 2015	1 Apr 2022	3 months
M Stevens (Deputy Managing Director)	9 Feb 2015	1 Apr 2022	3 months
P Forster (Group Finance & Commercial Director) (non-executive from 1 April 2021)	1 Apr 2021	1 Apr 2022	3 months

All contracts were revised on 1 April 2022 to reflect current legislation and salaries.

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 are eligible for share options but may not participate in any personal performance bonus, and are only eligible for statutory contributions to workplace pensions. 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, together with the Group-wide bonus relating to the Group's overall performance that all employees are entitled to, 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 Group 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 11 July 2022 and signed on its behalf by:

Mr Nicholas O'Shea
Remuneration Committee

Directors' responsibilities statement

The directors whose names and functions are set out on page 86 of this document are responsible for preparing the Annual Report and the Financial Statements in accordance with 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 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.

Independent auditor's report to the members of Creightons Plc

Opinion

We have audited the financial statements of Creightons Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Company income statement, the Company statement of comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated cash flow statement, the Company cash flow statement, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice), as applied in accordance with the provisions of the Companies Act 2006.

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 2022 and of the group's and the parent company's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework"); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 entities and 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 going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios;
- Testing the accuracy and functionality of the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to Creightons Plc's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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) we identified, including 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.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Revenue recognition The Group's and the Parent Company's accounting policy for revenue recognition is set out in the accounting policy notes on page 54 respectively. Revenue is material for the Group and the Parent Company and represents the largest figure in the Consolidated statement of comprehensive income. An error in this balance could significantly affect a user's interpretation of the financial statements. For the Group and the Parent Company, we identify the risk around revenue recognition as being principally in relation to cut off, due to the potential to inappropriately shift the timing and basis of revenue recognition. Due to revenue being a key benchmark in a user's assessment of the performance of the Group, we consider revenue recognition to be a key audit matter.	For the UK subsidiaries trading revenue: We addressed this risk by performing the following: •reviewing the design and implementation of the controls in place surrounding revenue recognition, in particular in relation to cut off; •obtaining and reviewing the revenue recognition policy to ensure they comply with the requirements of IFRS 15; and •sample testing over sales incurred in the week either side of the year end for both UK and overseas sales within the UK trading subsidiary – agreeing ledger details back to the applicable customer order and trading terms, sales invoice and signed proof of delivery for UK customers, and signed customer collection notice for overseas customers, to ensure revenue was recognised in the same period in which control of the goods was transferred to the customer in line with the Group's stated policy. For the parent company's rental revenue: • For rental income earned by Creightons Plc, we obtained the signed agreement in place between Creightons Plc & Potter & Moore Innovations Limited for the rental of the Peterborough Factory and recalculated the rental income to be recognised across the year to obtain assurance that the cut off of such revenues is correct. Our observations: Based on the results of our procedures performed, we consider revenue recognition is appropriate, and in line with the Group accounting policy described on page 54.
Inventory provision There is a risk that inventory is overstated due to management's judgement on potentially obsolete, damaged and slow-moving items in determining the net realisable value. The value of the provision as at 31 March 2022 is £1,261k (31 March 2021: £954k). Refer to page 59 (note 3 Critical accounting judgements and sources of estimation uncertainty) and note 18 (Inventories) for financial disclosures. Due to the inventory being a material balance in the Group, and the judgement used in calculating the inventory provision, we consider this to be a key audit matter.	We addressed this risk by performing the following: •obtaining and reviewing the inventory provision policy implemented by the Group, and performing a sample test to ensure compliance with the policy; •valuation testing on a sample of inventory items at an enhanced risk level, comparing purchase cost to sales proceeds in order to obtain assurance that inventories are being held at the lower of cost and net realisable value; •during our attendance of stock takes, we documented our review of any obsolete, slow moving or damaged inventory items, as well as the condition of the warehouse, with no such items or issues noted; •we obtained an understanding of, and challenged the assumptions used, in management's processes with regards to the calculation of the year end inventory provision; •we re-performed the calculation of the inventory write-off provision and confirmed its accuracy and mathematical logic;

	•we obtained and reviewed the underlying historical data used in the provision calculation and confirmed that this was accurate and correctly applied; and •we performed a stand-back review considering relevant internal and external factors in our assessment of the appropriateness of the methodology and valuation of the inventory provision. <u>Our observations:</u> We considered management's judgement on the level of provisioning to be reasonable and in line with the Group accounting policy as described on page 59.
Brand values acquired in the year and assessment of indefinite useful life There is a risk that the brand value recognised on acquisition of Emma Hardie and Brodie & Stone are overstated due to the following: • purchase price allocation on acquisition – this has been attributed solely to brand; • impairment of the value – the brand value is material and has been assessed as having an indefinite useful life. The value of the brand as at 31 March 2022 is £5,108k and £4,980k respectively (31 March 2021: £nil). Refer to page 60 (note 3 Critical accounting judgements and sources of estimation uncertainty) for disclosure of key inputs into the value in use model, and the judgements on purchase price allocation, and note 8 (business combinations) for financial disclosures. The brand values recognised are material and their recognition and assessment of amortisation periods are key judgments and so we consider this to be a key audit matter	We addressed this risk by performing the following: • we engaged our internal valuation team as auditor's expert to review the purchase price allocation of the acquisition to brand value and to ensure this is in line with IFRS 3; • we assessed the competence and knowledge of our internal expert team, and management's expert; • reviewed the Sales and Purchase Agreement and the balance sheet on acquisition to assess the intangible asset valuation on acquisition and corroborating this to supporting documentation. As part of this exercise, we reviewed management's assessment of the contingent consideration valuation (arising on the Emma Hardie acquisition) as at 31 March 2022, and ensured the movement was reflected within the Statement of Comprehensive Income in line with IFRS 9; • we reviewed and challenged management's expert assessment of the brand having an indefinite useful life; • reviewed managements value in use model to assess the impairment of the brand value; • reviewed the model and looked for disconfirming evidence in post year end data and market information; • performed sensitivity analysis on the key assumptions and cash flows used within the value in use model to assess scenario that would trigger an impairment • we re-performed the calculation of the value in use model and impairment review, and confirmed its accuracy; • we reviewed the forecast information included in the impairment calculation, and whether this was consistent with that provided in other areas of the audit; and • we performed a stand-back review considering relevant internal and external factors including disconfirming information in our assessment of the appropriateness of the methodology and valuation of the brand valuation. <u>Our observations:</u> Based on the results of our procedures performed, we consider the purchase price allocation solely to brand value and the assessment of an indefinite useful life to not be unreasonable. We consider management's assessment on the impairment of the brand value to be reasonable in line with the Group accounting policy as described on page 57, and the value in use model assumptions to be fairly reflected

	within page 60 of note 3 (Critical accounting judgements and sources of estimation uncertainty).

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality

	Group	Parent company
Overall materiality	£330k	£172k
How we determined it	Materiality has been determined with reference to a benchmark of recurring profit before tax, of which it represents 8%. Recurring profit before tax has been calculated by adjusting the consolidated profit before tax per the financial statements by non-recurring items incurred during the year-ended 31 March 2022. These items are as follows: 1) The acquisition of Emma Hardie in the year had an element of contingent consideration based on the share price of Creightons plc one year post acquisition. A one-off adjustment is booked at the year end to recognise the re-estimation of the best estimate of this contingent consideration, which has resulted in a debit to the profit and loss account of £384k. This is a non-recurring balance and hence we have adjusted for this in our profit before tax benchmark. 2) A discretionary bonus of £283k has been declared outside of the bonus policy in place. Given this is a non-recurring balances we have adjusted for this in our profit before tax benchmark.	Materiality has been determined with reference to a benchmark of total equity, of which it represents 3%.
Rationale for benchmark applied	We used profit before tax as adjusted above to calculate our materiality as, in our review, this is the most relevant and stable measure of the underlying financial performance of the Group for this year end as a trading Group.	We used total equity to calculate our materiality as, in our review, this is the most relevant measure of the underlying financial position of the Parent Company for this year end as a holding company.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be set at approximately 70% of our financial statement materiality, representing a value of £231k.	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be set at approximately 70% of our financial statement materiality, representing a value of £120k.

Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £10k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.	We agreed with the directors that we would report to them misstatements identified during our audit above £5k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our Group audit scope included an audit of the group and parent company financial statements of Creightons plc. Based on our risk assessment, Creightons plc and Potter & Moore Innovations Limited within the group were subject to full scope audit, which was performed by the group audit team. The group audit team obtained external bank confirmations for all bank accounts held within the group regardless if the entity was subject to a full scope audit to gain necessary assurance over the consolidated cash position as at the 31 March 2022. Further, we engaged component auditors to attend a physical stock take for Potter and Moore PTY Limited, and the group audit team attended a physical stock take for the Emma Hardie Limited locations as the inventory balance within these entities represented a material figure to the consolidation.

At the parent company level, the group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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 course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the parent company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the:

- strategic report or the directors' report; or
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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 where they are not made the omission is clearly disclosed; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to Creightons Plc's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 17;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate, set out on page 22;
- Directors' statement on fair, balanced and understandable, set out on page 18;
- Board's confirmation that it has carried out a robust assessment of the e-merging and principal risks, set out on pages 9-11;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 25; and;
- The section describing the work of the audit committee, set out on page 25.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 36, 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.

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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: the Bribery Act 2010, GDPR, EU Cosmetics Regulation EC 1223:2009 & UK Cosmetic Products Enforcement Regulations 2013 and Taskforce on Climate-related Financial Disclosures (TCFD).

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;

- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation, UK-adopted international accounting standards, FRS 101 "Reduced disclosure framework", Rules of the London Stock Exchange, and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition on the cut-off assertion, and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

Our audit procedures in relation to fraud through revenue recognition specific to cut-off included, but were not limited to:

- Assessing management's revenue recognition policy; and
- Agreeing a sample of revenue transactions pre and post year end, to ensure they have been recognised in the appropriate period and in line with the group accounting policy.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's 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 Board of Directors on 24 November 2020 to audit the financial statements for the year ending 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ending 31 March 2021 to date.

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 the parent company in conducting our audit.

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

Use of the audit report

This report is made solely to the 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 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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Stephen Brown (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1FF
11 July 2022

Consolidated income statement

	Note	Year ended 31 March 2022 £000	Year ended 31 March 2021 £000
Revenue	4,5	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	6	4,365	5,393
Exceptional items	8	(602)	-
Finance costs	9	(308)	(222)
Profit before tax		3,455	5,171
Taxation	10	(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	12	4.62p	6.69p
Diluted	12	3.98p	5.89p

Company income statement

		Year ended 31-Mar	Year ended 31-Mar
		2022	2021
	Note	£000	£000
Revenue			
Sales		7	18
Rental income		350	350
Total revenue		357	368
Administration cost		(241)	(210)
Operating profit		116	158
Income from subsidiary		428	421
Finance costs	9	(83)	(79)
Profit before tax		461	500
Taxation	10	(49)	(51)
Profit for the year attributable to the equity shareholders		412	449

Company statement of comprehensive income

		Year ended 31 March	Year ended 31 March
		2022	2021
		£000	£000
Profit for the year		412	449
Total comprehensive income for the year		412	449

Consolidated balance sheet

		31-Mar	31-Mar
		2022	2021
	Note	£000	£000
Non-current assets			
Goodwill	13	2,853	331
Other intangible assets	14	10,867	818
Property, plant and equipment	15	6,065	5,857
Right-of-use assets	16	1,120	1,090
Deferred tax Asset	31	-	339
		20,905	**8,435**
Current assets			
Inventories	18	12,479	8,318
Trade and other receivables	19	13,624	10,236
Cash and cash equivalents	20	840	6,558
		26,943	**25,112**
Total assets		**47,848**	**33,547**
Current liabilities			
Trade and other payables	22	10,127	9,177
Corporation tax payable	22	-	329
Lease liabilities	23	303	237
Borrowings	24	2,663	166
Deferred and contingent consideration	8	1,187	-
		14,280	**9,909**
Net current assets		**12,663**	**15,203**
Non-current liabilities			
Deferred tax liability	31	2,640	-
Lease liabilities	23	864	906
Borrowings	24	4,386	2,646
		7,890	**3,552**
Total liabilities		**22,170**	**13,461**
Net assets		**25,678**	**20,086**
Equity			
Share capital	25	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**

These financial statements were approved by the board of directors and authorised for issue on 11 July 2022. They were signed on its behalf by:

Bernard Johnson
Managing Director

Company balance sheet

		31-Mar	31-Mar
		2022	**2021**
	Note	**£000**	**£000**
Non-current assets			
Investment in subsidiaries	17	60	60
Investment property	15	3,521	3,731
		3,581	**3,791**
Current assets			
Trade and other receivables	19	4,476	1,872
Cash and cash equivalents	20	255	1
		4,731	**1,873**
Total assets		**8,312**	**5,664**
Current liabilities			
Trade and other payables	22	100	97
Borrowings	24	172	166
		272	**263**
Net current assets		**4,459**	**1,610**
Non-current liabilities			
Borrowings	24	2,471	2,646
		2,471	**2,646**
Total liabilities		**2,743**	**2,909**
Net assets		**5,569**	**2,755**
Equity			
Share capital	25	697	648
Share premium account		4,427	1,410
Capital redemption reserve		18	18
Other reserves		(236)	
Retained earnings		663	679
Total equity attributable to the equity shareholders		**5,569**	**2,755**

These financial statements were approved by the board of directors and authorised for issue on 11 July 2022. They were signed on its behalf by:

Bernard Johnson
Managing Director

Company registration number 1227964

Consolidated statement of changes in equity

	Share capital (note 25)	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 (note 26)	-	-	-	-	195	195
Deferred tax through Equity (note 31)	-	-	-	-	398	398
Dividends (note 11)	-	-	-	-	(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 (note 26)	-	-	-	-	330	330
Deferred tax through Equity (note 31)	-	-	-	-	(243)	(243)
Dividends (note 11)	-	-	-	-	(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**

Share capital
The nominal value of allotted and fully paid up ordinary share capital in issue.

Share premium account
Amount subscribed for share capital in excess of nominal value.

Other reserves
Non-distributable reserve following the redemption of the company's own shares. Purchase of the company's shares by the EBT is shown as a negative movement through other reserves.

Translation reserve
Foreign currency differences arising from the translation of the financial statements of the overseas subsidiaries.

Retained earnings
Cumulative net gains and losses recognised in the statement of comprehensive income.

Company statement of changes in equity

	Share capital (note 25)	Share premium account	Capital redemption reserve	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2020	647	1,406	18	-	651	2,722
Comprehensive income for the year						
Profit for the year	-	-	-	-	449	449
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**449**	**449**
Contributions by and distributions to owners						
Exercise of options	1	4	-	-	-	5
Dividends paid (note 11)	-	-	-	-	(421)	(421)
Total contributions by and distributions to owners	**1**	**4**	**-**	**-**	**(421)**	**(416)**
At 31 March 2021	**648**	**1,410**	**18**	**-**	**679**	**2,755**
Comprehensive income for the year						
Profit for the year				-	412	412
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**412**	**412**
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)
Dividends paid (note 11)	-	-	-	-	(428)	(428)
Total contributions by and distributions to owners	**49**	**3,017**	**-**	**(236)**	**(428)**	**2,402**
At 31 March 2022	**697**	**4,427**	**18**	**(236)**	**663**	**5,569**

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	15	888	846
Depreciation on right of use assets	16	256	206
Amortisation of intangible assets	14	435	497
(Profit)/Loss on disposal of property, plant and equipment	6	(10)	4
Loss on disposal of Right-of-use assets	16	-	5
Share based payment charge	26	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	15	(1,106)	(869)
Purchase of right-of-use assets	16	(286)	(34)
Proceeds from sale and lease back	23	264	174
Purchase of intangible assets	14	(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	25	564	5
Principal paid on lease liabilities	23	(240)	(188)
Interest on lease liabilities	9	(117)	(139)
Interest paid on mortgage loan	9	(83)	(89)
Interest paid on overdrafts and loans	9	(108)	(4)
Increase in invoice financing facilities	30	1,267	-
Increase / (decrease) of borrowings	30	495	(554)
Draw down of loan facility	30	3,000	-
Repayment on term loan	30	(314)	-
Repayment on mortgage loan facility	30	(169)	(164)
Repayment of debt – Emma Hardie	8	(2,201)	-
Repayment of debt – Brodie & Stone	8	(463)	-
Dividends paid to owners of the parent	11	(428)	(421)
Purchase of own shares via EBT	34	(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**

Company cash flow statement

		Year ended 31-Mar	Year ended 31-Mar
		2022	2021
	Note	£000	£000
Profit from operations		116	158
		116	**158**
Adjustments for:			
Depreciation on property, plant and equipment	15	210	210
		326	368
(Increase) in trade and other receivables		(2,604)	(111)
Increase in trade and other payables		9	-
Cash generated from operations		**(2,269)**	**257**
Taxation paid		(55)	(19)
			-
Net cash generated from operating activities		**(2,324)**	**238**
Investing activities			
Dividend received		428	421
Net cash (used in)/generated investing activities		**428**	**421**
Financing activities			
Proceeds of share issue	8,25	3,066	5
Repayment on loan facility		(169)	(163)
Interest paid on mortgage loan	9	(83)	(79)
Dividends paid to owners of the parent	11	(428)	(421)
Purchase of own shares via EBT	34	(236)	-
Net cash generated from/(used in) financing activities		**2,150**	**(658)**
Net change in cash and cash equivalents		**254**	**1**
Cash and cash equivalents at start of year		**1**	**-**
Cash and cash equivalents at end of year		**255**	**1**

Notes to the financial statements

1. General information

Creightons Plc (the Company) is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 86. 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 3 to 17.

These Financial Statements are presented in pounds sterling, rounded to the nearest thousand, 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 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.

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.

Notes to the financial statements

2 Significant accounting policies (continued)

Going concern

Whilst the Group has faced a number of challenges due to raw material and input costs it has also successfully managed to maintain its top line revenue through organic growth and acquisitions during the year.

The Group continues to meet its debt obligations and expects to operate comfortably within its available borrowing facilities for the next 5 years. This assessment is based on our ability to retain existing borrowing facilities and assuming moderate top line sales growth.

The going concern assessment included various sensitivity analysis including the loss of the Group's largest customer and various scenarios on increasing costs.

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.

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 by the acquirer, 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. When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Goodwill, intangible assets and brand value with indefinite lives

Goodwill, intellectual property and brand value 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.

Notes to the financial statements

2. Significant accounting policies (continued)

Revenue recognition - Group

The Group's revenue is generated from selling goods and is recognised when control has been transferred to the customer including distributors. The passage of control to the customer occurs at point of collection for those customers arranging onward shipment (ex-works terms) 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.

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. Provisions for returns from customers are recognised within revenue.

The recognition through revenue of royalties due to third parties, retrospective rebates and promotional support due to customers is 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.

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 on an accruals basis.

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; under £5,000, and
- leases with a duration of 12 months or less.

Lease liabilities are measured at present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by rate implicit 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.

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).

Notes to the financial statements

2. Significant accounting policies (continued)

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.

The Company has entered into a lease agreement as a lessor with respect to its investment property with its subsidiary undertaking, Potter and Moore Innovations Limited.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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 operation, 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, within finance costs.

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 scrappage 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.

Depreciation and amortisation are included in the income statement under administration expenses.

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 between 5 and 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 one to two years

Intellectual Property and brands are held with an indefinite useful life and are reviewed annually for any impairment.

The acquired brands have been recognised as an intangible asset with an indefinite life, as these brands have 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.

Employee Benefit Trust (EBT)

The EBT is consolidated on the basis that the parent has control, thus the assets and liabilities of the EBT are included in the Statement of Financial Position and shares held by the EBT in the Company are presented as a deduction from equity.

Notes to the financial statements

2 Significant accounting policies (continued)

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.

Financial assets

Financial assets principally relate to trade receivables. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are initially recognised at fair value. IFRS 9 requires the use of an expected credit loss model to recognise an impairment allowance. The simplified approach permitted by IFRS 9, requires expected lifetime losses to be recognised from initial recognition of the receivables, and this 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.

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.

Cash and cash equivalents

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.

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.
Financial liabilities are classified as at fair value through profit and loss (FVTPL) when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. Contingent consideration on the acquisition of Emma Hardie Limited in the year has been recognised at fair value through profit and loss.

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 26.

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.

Notes to the financial statements

2 Significant accounting policies (continued)

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. The Group utilises sale and leaseback opportunities where appropriate to finance capital investment and reduce the impact on working capital. The lease period for these items is normally 5 years and the rate of interest is agreed upon each transaction.

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.

Assessment of the value attributable to intangible brand value on the acquisition of Emma Hardie and Brodie & Stone - The Directors have assessed the key nature and attributes of the assets of the businesses acquired and in particular the value of the separable intangible assets. The Directors have concluded that there was no material value attributable to the intangible categories of customer relationships, employees and knowhow and are satisfied that it is appropriate to attribute the full value of the intangible asset acquired to brand value.

In forming their judgement that the acquired brands have an indefinite life, the Directors give consideration to factors such as the expected usage of the brands, typical product lifecycles, new product developments, market stability, competitive positioning and the level of marketing support required to maintain the brands.

Inventory provision – A judgement is required in determining the value of any provisions held against inventory. In determining this provision, the directors have made an assessment based on the historic realisable value of finished products and made provision for all raw materials with no current demand based on orders and forecasts in the system at the year end, each item is assessed and reviewed for future usage as part of the inventory provision calculation. The inventory value is £12,479,000 including inventory of the acquired brands (2021: £8,318,000). This is net of provision for residual inventories, which has historically proved to be realistic.

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.

Assessment of the useful lives of acquired brands - The directors are required to assess whether the useful lives of brands are finite or indefinite. Under IAS 38 'intangible assets' an intangible asset should be regarded as having an indefinite useful life, when based on all of the relevant factors, there is no foreseeable limit over the period over which the asset is expected to generate net cash inflows for the entity. The carrying value of the brands at 31 March 2022 is £10,596,000 see note 14 for further details.

Impairment of goodwill - Determining whether goodwill is impaired requires an assessment of value in use based on the recoverable amount 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, which is set out in note 13.

Notes to the financial statements

3 Critical accounting judgements and sources of estimation uncertainty (continued)

Impairment of brand values – Determining whether brand values should be impaired requires an assessment of the value in use of the relevant brand. The value in use requires the entity to estimate the future economic benefit. No impairment provision was considered necessary against this carrying value, which is set out in note 14.
Key assumptions used in this assessment are as follows:-

Brand	Discount Rate	EBITDA Growth Rate
Emma Hardie	10.4%	50.4% in FY24, 5% in FY25 and FY26 and 3.50% in perpetuity
Brodie and Stone	10.4%	23.0% in FY24, 5% in FY25 and FY26 and 3.50% in perpetuity

EBITDA is based on detailed forecasts for the year ended 31 March 2023 and 2024 which includes top line growth and manufacturing synergies particularly in year ended March 2024. 5% EBITDA growth is assumed in future years which is managements best estimate of ongoing growth.

Estimated value of the contingent consideration on acquisition – The contingent consideration on the share issue on the purchase of Emma Hardie Limited was calculated based on the difference between the agreed price of £1.25 and the market price of 84.8p on the date of issue. At the time of acquisition 84.8p represented our best estimate of the share price that would prevail on 28 July 2022 for the purpose of measuring the contingent consideration.

Estimated value of the contingent consideration at 31 March 2022 has been reassessed based on the market price at 31 March 2022 of 60.5p. The additional liability arising of £384,000 has been included as an exceptional cost in the profit and loss for the year ending 31 March 2022.

Impairment of product development costs - Management review the recoverability of capitalised product development costs throughout the year and will include an impairment charge to reflect any impairment arising from a reduction in the anticipated lifecycle of the products. Management assess the current and forecast sales for each product range to determine if any impairment is necessary. At the reporting date the value of capitalised product development costs was £206,000 (2021: £233,000) and all products were considered to have product lifecycles which were in line with the accounting policies noted in note 2 above and producing positive contributions to the Group.

Expected credit losses (ECL) – When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.
Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
The Group only trades on credit terms with customers where it holds sufficient credit insurance, all other customers pay on a proforma basis therefore reducing the ECL risk to a maximum of 10% of a customer's trade debtor balance.

The value of trade receivables is £12,819,000 (2021: £9,772,000), net of provisions of £59,000 (2021: £32,000).

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.

	Year ended 31-Mar	Year ended 31-Mar
	2022	2021
	£000	£000
Sales of goods	62,520	62,472
Settlement discounts	(132)	(141)
Contracted retailer commitments	(507)	(314)
Royalties & commissions	(14)	(8)
Retailer promotional support	(710)	(404)
Revenue	61,157	61,605

Notes to the financial statements

5 Business and geographic segments

In the year ended 31 March 2022, the Group had 2 customers that exceeded 10% of total revenue, being £9.1m, and £7.4m (2021: two customers being £9.0m and £8.4m).

The Group makes sales under its own branded ranges, private label and contract manufacturing. However all return on investment and capital investment decisions are assessed at an overall business level only. Customers purchase from various brands across the business, using the same manufacturing facility, with the same employees working across all of the ranges in manufacturing and support services. The Group therefore considers there to be only one operating segment when providing information for management review.

Revenues from external customers

	Year ended 31-Mar	Year ended 31-Mar
	2022	2021
	£000	£000
UK	51,114	54,706
Overseas	10,043	6,899
Total	61,157	61,605

The below table shows the split of overseas sales by country.

	Year ended 31-Mar	Year ended 31-Mar
	2022	2021
	£000	£000
Denmark	1,815	1,357
Vietnam	1,659	522
Saudi Arabia	1,651	1,298
Chile	1,098	579
United States of America	672	137
Ireland	660	1,370
Australia	551	306
Germany	434	386
Others	1,503	944
Total	10,043	6,899

There are no non-current assets held overseas.

Notes to the financial statements

6 Operating profit

Operating profit for the Group is stated after charging:

	Note	Year ended 31-Mar	Year ended 31-Mar
		2022	**2021**
		£000	**£000**
Net foreign exchange loss		142	414
Cost of inventories recognised as expense		34,859	34,900
Write downs of inventories recognised as an expense		400	730
External research and development costs		529	483
Depreciation of property plant and equipment			
Owned assets	**15**	888	846
Right-of-use assets	**16**	256	206
Profit/(Loss) on disposal of property plant and equipment		(10)	4
Amortisation of intangible assets (included in administrative expenses)	**14**	435	497
Staff costs	**7**	15,489	16,221
Auditor's remuneration		145	80

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

		Year ended 31-Mar	Year ended 31-Mar
		2022	**2021**
		£000	**£000**
Audit services			
Fees payable to the Company's auditor for the audit of the parent company and the consolidated financial statements		87	50
Fees payable to the company's auditor for other services:			
The audit of the company's subsidiaries, pursuant to legislation		58	30

Operating profit for the Company is stated after charging:

		Year ended 31-Mar	Year ended 31-Mar
		2022	**2021**
		£000	**£000**
Depreciation of property plant and equipment			
- Owned assets	**15**	210	210

Notes to the financial statements

7 Staff costs

The average number of employees (including directors) was:

	Year ended 31-Mar 2022 Number	Year ended 31-Mar 2021 Number
Management	9	8
Administration	98	88
Production	431	441
Total	538	537

Their aggregate remuneration comprised:

	Year ended 31-Mar 2022 £000	Year ended 31-Mar 2021 £000
Wages and salaries	13,309	14,314
Social security costs	1,366	1,312
Pension contributions	484	400
Share based payment charge	330	195
Total	15,489	16,221

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 or employees in the year ended 31 March 2022 (2021: nil).

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 £0.848 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 liability 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.

Notes to the financial statements

8. Business combinations (Continued)

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.

Notes to the financial statements

8. Business combinations (Continued)

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. Finance costs

	Group		Company	
	Year ended 31-Mar	**Year ended 31-Mar**	**Year ended 31-Mar**	**Year ended 31-Mar**
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Interest on bank overdrafts and loans	108	4	-	-
Interest on mortgage	83	79	83	79
Interest on lease liabilities	117	139	-	-
Total	308	222	83	79

10. Taxation

	Group		Company	
	Year ended 31-Mar	**Year ended 31-Mar**	**Year ended 31-Mar**	**Year ended 31-Mar**
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Current tax				
Current tax on profit for the year	100	722	45	51
Adjustments in respect of prior years	-	60	4	-
Total current tax	100	782	49	51
Deferred tax (see note 31)				
Originations and reversal of temporary differences	187	113	-	-
Adjustment in respect of prior years	(2)	(58)	-	-
Effect of tax rate change	60	-	-	-
Total deferred tax	245	55	-	-
Total	345	837	49	51

Notes to the financial statements

10. Taxation (continued)

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

	Group		Company	
	Year ended 31-Mar	Year ended 31-Mar	Year ended 31-Mar	Year ended 31-Mar
	2022	2021	2022	2021
	£000	£000	£000	£000
Profit before taxation	3,455	5,171	461	500
Tax charge at the UK corporation tax rate of 19% (2021: 19%)	656	982	88	95
Fixed asset differences	(9)	46	40	40
Tax effect of expenses that are not deductible in determining taxable profit	140	43	-	-
Income not subject to tax	-	(13)	(83)	(84)
Additional deduction for R&D expenditure	(213)	(206)	-	-
Adjustments in respect of prior years	(2)	3	4	-
Deferred tax credited directly to retained earnings	(243)	21	-	-
Deferred tax not recognised	(12)	27	-	-
Tax relief on exercise of share options	(49)	(66)	-	-
Other	77	-	-	-
Total expense and effective rate for the year	345	837	49	51

In addition to the Group's taxation charge 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-Mar	Year ended 31-Mar
	2022	2021
	£000	£000
Deferred tax		
Excess tax deductions related to share-based payments on exercised options	(243)	(424)
Total	(243)	(424)

11 Payments to shareholders

	Year ended 31-Mar	Year ended 31-Mar
	2022	2021
	£000	£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

Notes to the financial statements

12 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

13 Goodwill

Goodwill at 31 March 2021 is related to the Potter & Moore business acquired in March 2003.

Additions in the year ended 31 March 2022 relate to the deferred tax in relation to the brand values acquired in the year.

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

	Note	Goodwill
		£000
Cost		
At 1 April 2020 and 31 March 2021		367
Additions	8	2,522
At 31 March 2022		2,889
Accumulated impairment		
At 1 April 2020 and 31 March 2021		36
Impairment for the year		-
At 31 March 2022		36
Carrying value		
At 1 April 2020		331
At 31 March 2021		331
At 31 March 2022		2,853

Notes to the financial statements

13 Goodwill (continued)

The value in use calculation is based on the recoverable amount of the cash generating unit. 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 3.5% and a discount rate of 10.4%. 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	Brands	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2020	251	10	2,847	508	3,616
Additions	11	-	333	-	344
At 31 March 2021	262	10	3,180	508	3,960
Additions - internally developed	18	-	320	-	338
Acquired through business combination (Note 8 Brand value)	-	-	-	10,088	10,088
Additions – externally acquired		-	58	-	58
At 31 March 2022	280	10	3,558	10,596	14,444
Accumulated amortisation					
At 1 April 2020	167	-	2,478	-	2,645
Amortisation for the year	28	-	469	-	497
At 31 March 2021	195	-	2,947	-	3,142
Amortisation for the year	30	-	405		435
At 31 March 2022	225	-	3,352	-	3,577
Carrying value					
At 1 April 2020	84	10	369	508	971
At 31 March 2021	67	10	233	508	818
At 31 March 2022	55	10	206	10,596	10,867

Notes to the financial statements

14 Other intangible assets

Brand

The Group has acquired the following brands which have an indefinite useful life:

Brand	Carrying amount
	£000
Balance Active	508
Emma Hardie	5,108
Brodie and Stone	4,980
Total	**10,596**

These brands are deemed to have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. The Group has the intention and the ability to maintain the brand indefinitely. However this is subject to an annual impairment review. The key assumptions for this impairment testing are set out in Note 3 Key sources of estimation uncertainty. Sensitivity analysis has been conducted using the following sensitivity assumptions; 1% increase in the discount rate; 10% decrease in EBITDA growth and nil terminal value growth. There were no impairments arising as a result of the applied sensitivity assumptions.

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 £4,257,000 to sales for this year (2021: £2,406,000).

For the additions in the current year see Note 8.

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 2020	4,038	4,671	836	198	9,743
Additions	-	525	300	44	869
Disposals	-	(15)	-	-	(15)
Reclassification to Right-of-use	-	(145)	-	-	(145)
At 31 March 2021	4,038	5,036	1,136	242	10,452
Additions	-	1,125	128	62	1,315
Disposals	-	(22)	-	-	(22)
Reclassification to Right-of-use	-	(199)	(10)	-	(209)
At 31 March 2022	4,038	5,940	1,254	304	11,536
Accumulated depreciation					
At 1 April 2020	97	3,081	455	154	3,787
Depreciation for the year	210	481	132	23	846
Disposals	-	(11)	-	-	(11)
Reclassification of categories	-	(27)	-	-	(27)
At 31 March 2021	307	3,524	587	177	4,595
Depreciation for the year	210	498	147	33	888
Disposals	-	(12)	-	-	(12)
At 31 March 2022	517	4,010	734	210	5,471
Carrying value					
At 1 April 2020	3,941	1,590	381	44	5,956
At 31 March 2021	3,731	1,512	549	65	5,857
At 31 March 2022	3,521	1,930	520	94	6,065

Notes to the financial statements

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

Company

	Investment Property
	£000
Cost	
At 1 April 2020	4,038
Additions	
At 31 March 2021 and 31 March 2022	4,038
Accumulated depreciation	
At 1 April 2020	97
Depreciation for the year	210
At 31 March 2021	307
Depreciation for the year	210
At 31 March 2022	517
Carrying value	
At 1 April 2020	3,941
At 31 March 2021	3,731
At 31 March 2022	3,521

On 16 October 2019, Creightons 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 an up to date property valuation, 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.

16 Right-of-use assets

Group

	Leasehold Property	Plant and machinery	Total
	£000	**£000**	**£000**
Cost			
At 1 April 2020	764	587	1,351
Additions	-	34	34
Reclassification from property, plant and equipment	-	147	147
Disposals	-	(11)	(11)
At 31 March 2021	764	757	1,521
Additions	-	77	77
Reclassification from property, plant and equipment	-	209	209
At 31 March 2022	764	1,043	1,807
Depreciation			
At 1 April 2020	105	126	231
Depreciation for the year	105	101	206
Disposals	-	(6)	(6)
At 31 March 2021	210	221	431
Depreciation for the year	105	151	256
At 31 March 2022	315	372	687
Carrying value			
At 1 April 2020	659	461	1,120
At 31 March 2021	554	536	1,090
At 31 March 2022	449	671	1,120

Notes to the financial statements

17 Investment in subsidiaries

Company

	Investments
	£000
Cost	
At 1 April 2020, 31 March 2021 and 31 March 2022	75
Impairment charge	
At 1 April 2020, 31 March 2021 and 31 March 2022	15
Carrying value	
At 1 April 2020, 31 March 2021 and 31 March 2022	60

Details of the Group's subsidiaries at 31 March 2022 and 31 March 2021 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%
Creightons GmbH	Germany	e	100%
Potter and Moore (Devon) Limited	England	a	100%
Potter and Moore Pty Limited	Australia	c	100%
Emma Hardie Limited	England	a	100%
Brodie & Stone International Limited	England	a	100%
Brodie & Stone Holdings Limited	England	a	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 Limited	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%
Potter & Moore International Limited	England	a	100%
The Herbal Hair Company Limited	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%

All companies listed above are subsidiaries of Creightons Company with the exception of Emma Hardie Limited and Brodie & Stone Holdings Limited which are subsidiaries of Potter & Moore Innovations Limited and Brodie & Stone International Limited which is a subsidiary of Brodie & Stone Holdings Limited.

Notes to the financial statements

17 Investment in subsidiaries (continued)

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, DO7 P4AX
e.) Ulmenstr. 37-39, c/o RSM GmbH, 60325 Frankfurt a. Main, Germany

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 Emma Hardie Limited is the creation and distribution of high end branded skincare products.
The activity of Brodie & Stone International Limited was the distribution of personal care products until trade was absorbed into the Potter & Moore Innovations business on 31st October 2021.
Brodie & Stone Holdings Limited is the holding company of Brodie & Stone International Limited and is a non-trading company.
The activity of Potter and Moore Pty Ltd is the distribution of personal care products.
The activity of Creightons GmbH is the distribution of personal care products.
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.

All other subsidiaries were dormant throughout the years ended 31 March 2022 and 31 March 2021.

18 Inventories

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Raw materials	4,544	3,766	-	-
Work in progress	913	882	-	-
Finished goods	7,022	3,670	-	-
Total	12,479	8,318	-	-

Inventories with a carrying value of £12,479,000 (2021: £8,318,000) have been pledged as security for the Group's bank overdrafts. Directors believe that net realisable value approximates to fair value. Inventories are stated net of provisions of £1,261,000 (2021: £954,000).

19 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade receivables	12,819	9,772	-	9
Sundry receivables	-	139	-	-
Amounts receivable from subsidiaries	-	-	4,455	1,856
Prepayments and other receivables	691	325	21	7
Corporation tax	114	-	-	-
Total	13,624	10,236	4,476	1,872

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 2022 was £12,819,000 (2021: £9,772,000). The Group took the decision to cover all customers as a result of the current economic climate. The credit insurance policy in place covers 90% of the trade receivables amount.

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

Notes to the financial statements

19 Trade and other receivables (continued)

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Trade receivables:				
Current	11,244	9,312	-	9
1 -30 days	1,054	252	-	-
31 – 60 days	132	93	-	-
61 – 90 days	115	40	-	-
91 + days	333	107	-	-
Less impairment allowance	(59)	(32)	-	-
Total	12,819	9,772	-	9

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
At 1 April	32	22	-	-
Charge in current year income statement	27	10	-	-
At 31 March	59	32	-	-

There were £1,575,000 (2021: £460,000) of trade receivables that were overdue at the balance sheet date that have not been provided against. The proportion of trade receivables at 31 March 2022 that were overdue for payment was 12.7% (2021: 4.7%).

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 information regarding the customer including credit reports and non-financial information including market developments and consumer trends. 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.

The impairment allowance for bad debts are calculated using a lifetime expected credit loss model, as set out below, in accordance with IFRS 9. Following a full review of customers at the year end, including ongoing business discussion with customers and market performance reviews there are no receivables subjected to a significant increase in credit loss. The provision for the year to March 2022 was £59,000 (2021: £32,000).

	Group			Group		
	2022			2021		
	£000	**%**	**£000**	**£000**	**%**	**£000**
Current	11,244	-	-	9,312	-	-
1 - 30 days	1,054	-	-	252	-	-
31 - 60 days	132	-	-	93	-	-
61 – 90 days	115	-	-	40	-	-
91 + days	333	18%	59	107	30%	32
At 31 March	12,878		59	9,804		32

Notes to the financial statements

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	
	2022	2021	2022	2021
	£000	£000	£000	£000
Cash at bank and in hand	648	4,963	255	1
Sterling equivalent of deposit denominated in Australian dollars	25	266	-	-
Sterling equivalent of deposit denominated in Euros	119	35	-	-
Sterling equivalent of deposit denominated in US dollars	48	62	-	-
Surplus invoice finance balance	-	1,232	-	-
Total	840	6,558	255	1

The invoice finance facility showed a positive figure due to cash received from customers immediately before the year-end and not yet transferred to the bank account at 31 March 2021. During the current year the invoice finance facility has been utilised to fund the acquisitions.

21 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.

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.

Notes to the financial statements

21. Financial instruments and treasury risk management (continued)

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.

Notes to the financial statements

21. Financial instruments and treasury risk management (continued)

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	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade and other receivables	12,819	9,772	4,455	1,866
Cash and cash equivalents	840	6,558	255	1
Total	**13,659**	**16,330**	**4,710**	**1,867**

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**

Notes to the financial statements

21. Financial instruments and treasury risk management (continued)

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

At 31 March 2022

	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	6,211	-	-	-	6,211
Accruals	3,016	-	-	-	3,016
Obligations under leases	204	194	995	-	1,393
Overdraft and invoice financing	1,762	-	-	-	1,762
Loan	523	523	2,994	1,910	5,950
Contingent and deferred consideration	1,187	-	-	-	1,187
Total	**12,903**	**717**	**3,989**	**1,910**	**19,519**

At 31 March 2021

	Group				
	Less than 6 months	**Between 6 months and 1 year**	**Between 1and 5 years**	**Over 5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£'000**
Trade payables	5,003	-	-	-	5,003
Accruals	2,480	-	-	-	2,480
Obligations under leases	157	176	1,070	41	1,444
Overdraft and invoice financing	-	-	-	-	-
Loan	124	125	1,062	2,765	4,076
Total	7,764	301	2,132	2,806	13,003

22 Trade and other payables and corporation tax

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£000	**£000**	**£000**	**£000**
Trade payables	6,211	5,003	-	11
Social security and other taxes	900	1,694	1	-
Accrued expenses	3,016	2,480	18	-
Amounts payable to subsidiary undertakings	-	-	35	35
Corporation tax payable	-	329	46	51
Total	10,127	9,506	100	97

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.

Notes to the financial statements

23 Lease liabilities

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Amounts payable under leases				
Within one year	303	237	-	-
Between two to five years	864	906	-	-
At 31 March	1,167	1,143	-	-

	Group
	£000
At 1 April 2021	1,143
New lease	264
Interest expense	117
Lease payments	(357)
At 31 March 2022	1,167

The Group expensed £146,000 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.

24 Borrowings

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Bank overdraft	495	-	-	-
Borrowings under invoice finance facilities	1,267	-	-	-
Borrowings under mortgage and loan repayable within one year	901	166	172	166
Borrowings under mortgage and loan repayable between two to five years	2,669	702	754	702
Borrowings under mortgage repayable after more than five years	1,717	1,944	1,717	1,944
Total	7,049	2,812	2,643	2,812

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

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

Borrowings totalling £22,000 (2021: £nil) 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. Monthly repayment on the mortgage is £21,000 per month.

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. Monthly repayment on the loan is £66,000 per month.

Notes to the financial statements

24 Borrowings (continued)

During the year ended 31 March 2022 the invoice finance facilities were increased by £1.5m to accommodate the additional funding requirements of Emma Hardie and Brodie & Stone. The invoice finance facility permits the drawdown of 85% of eligible debts with an interest rate of 2.19% above the Bank of England base rate.

The weighted interest rates paid were as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	%	**%**	**%**	**%**
Bank overdrafts	3.5	3.5	-	-
Borrowings under invoice finance facilities	3.0	3.0	-	-
Borrowings under mortgage	3.04	3.04	3.04	3.04
Term loan	3.70	-	-	-

The bank holds a first legal charge dated 16 October 2019 over the freehold property at Peterborough and a debenture including fixed charge over all present and freehold lease property.

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.

25 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).

26 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 except for the share options granted on 08 July 2020 which were issued at a discount of 14p to the market price on the date of issue. 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			
	2022		**2021**	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Outstanding at the beginning of the period	11,138,500	34.00p	7,964,900	22.21p
Granted in the period	2,495,000	91.95p	3,687,500	58.31p
Exercised in the period	(2,303,940)	24.48p	(106,100)	4.39p
Lapsed in the period	(1,315,600)	84.07p	(407,800)	31.31p
Outstanding at the end of the period	10,013,960	44.05p	11,138,500	34.00p

Notes to the financial statements

26 Equity settled share-based payments (continued)

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

Granted	Exercise period	Number	Exercise price
Nov-14	2017 – 2024	1,300,000	5.50p
Sep-15	2019 – 2025	50,000	4.50p
Oct-18	2021 – 2028	3,871,460	26.80p
Jul-20	2023 – 2030	800,000	36.00p
Nov-20	2023 – 2030	800,000	48.00p
Mar-21	2024 – 2031	1,497,500	74.50p
Nov-21	2024 - 2031	1,295,000	97.73p
Mar-22	2025 – 2032	400,000	61.67p
Outstanding at the end of the period		10,013,960	44.05p

The weighted average share price at the date of exercise for share options exercised during the period was 101.5p. The options outstanding at 31 March 2022 had a weighted average exercise price of 44.05p, and a weighted average remaining contractual life of 7.2 years.

The number of currently exercisable share options at March 22 is 5,221,460 (2021: 1,590,000).
The weighted average exercise price of current exercisable options is 21.28p.

In the year ended 31 March 2022, options were granted on 10 November 2021 and 24 March 2022. The aggregate of the estimated fair values of the options granted on those dates is £2.29m. In the year ended 31 March 2021, options were granted on 08 July 2020, 05 November 2020 and 16 March 2021. The aggregate of the estimated fair values of the options granted on those dates is £2.15m.

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-Mar 2022					
Issue date	18-Oct-18	08-Jul-20	05-Nov-20	16-Mar-21	10-Nov-21	24-Mar-22
Weighted average share price (pence)	26.80p	50.00p	48.00p	74.50p	97.73p	61.67p
Weighted average exercise price (pence)	26.80p	36.00p	48.00p	74.50p	97.73p	61.67p
Expected volatility (%)	38.50%	49.67%	50.10%	40.20%	37.45%	42.11%
Expected life - years	3	3	3	3	3	3
Risk free rate (%)	0.75%	0.75%	0.75%	0.75%	0.32%	0.32%
Expected dividends (pence)	-	-	-	-	-	-

	Year ended 31-Mar 2021			
Issue date	18-Oct-18	08-Jul-20	05-Nov-20	16-Mar-21
Weighted average share price (pence)	26.80p	50.00p	48.00p	74.50p
Weighted average exercise price (pence)	26.80p	36.00p	48.00p	74.50p
Expected volatility (%)	38.50%	49.67%	50.10%	40.20%
Expected life - years	3	3	3	3
Risk free rate (%)	0.75%	0.75%	0.75%	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 £330,000 (2021: £195,000) related to share-based payments.

Notes to the financial statements

27 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 £484,000 (2021: £400,000) and cash contributions were £470,000 (2021: £395,000).

28 Capital commitments

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Contracts placed for future capital expenditure not provided for in the financial statements	396	101	-	-

29 Related party transactions

Transactions between the parent company and its subsidiaries

The amounts owed by and to subsidiary companies are:

	2022	2021
	£000	£000
Amounts receivable from subsidiary undertakings	4,455	1,856
Amounts payable to subsidiary undertakings	(35)	(35)

During the year ended 31 March 2022 the company transferred £Nil (2021 - £5,000) from the proceeds of the exercise of share options to Potter & Moore Innovations Limited. The company received a dividend of £428,000 (2021: £421,000) from Potter & Moore Innovations Limited.

During the year ended 31 March 2022 the company charged rental charges of £350,000 (2021: £350,000) to Potter & Moore Innovations Limited.

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-Mar	Year ended 31-Mar
	2022	2021
	£000	£000
Charges for internet support services	37	30

Amounts owed to Carty Johnson Limited

	Year ended 31-Mar	Year ended 31-Mar
	2022	2021
	£000	£000
Amounts payable	-	-

Notes to the financial statements

29 Related party transactions (continued)

Saxon Coast Consultants Limited

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

	Year ended 31-Mar	Year ended 31-Mar
	2022	2021
	£000	£000
Charges for company secretarial services	23	10

Details of the remuneration paid to related parties (as well as any salaries and bonuses waived) is included in the Directors Remuneration Report on pages 26 to 36**.**

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 26 to 35.

	Year ended 31-Mar	Year ended 31-Mar
	2022	2021
	£000	£000
Salaries and other short term benefits	557	928
Total	557	928

30 Notes supporting the cash flow statement

Group

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**

The movement in lease liabilities in the year is analysed per note 23.

Notes to the financial statements

31 Deferred tax

The movement in deferred tax provision is analysed as follows.

	Group
	£000
At 1 April 2020	29
Recognised in the income statement	56
Recognised directly through retained earnings	(424)
At 31 March 2021	**(339)**
Recognised in the income statement	214
Recognised directly through equity	243
Deferred tax on intangibles	2,522
At 31 March 2022	**2,640**

Deferred tax is represented by:

	Year ended 31-Mar 2022	Year ended 31-Mar 2021
	£000	£000
Capital allowances in advance of depreciation	629	333
Share based payments	(497)	(662)
Acquisitions	2,522	-
Other temporary differences	(14)	(10)
Net deferred tax (asset) / liability	**2,640**	**(339)**

On 3 March 2021, it was substantively enacted that the rate of corporation tax from 1 April 2023 would increase from 19% to 25%, and therefore this has been considered when calculating deferred tax at the reporting date. Deferred tax balances at the reporting date are measured at 25% (2021: 19%).

	Accelerated tax depreciation PPE	Provision	Share based payment	Acquisitions	Total
	£000	£000	£000	£000	£000
At 1 April 2021	304	(10)	(633)	-	(339)
Charged to profit	325	(4)	(107)	-	214
Recognised in goodwill	-	-	-	2,522	2,522
Credited directly through equity	-	-	243	-	243
At 31 Mar 2022	**629**	**(14)**	**(497)**	**2,522**	**2,640**

Deferred tax on acquisitions relates to the deferred tax liability in relation to the valuation of brands acquired during the year. Brands of £10,088,000 were acquired during the year, see Note 8 for further details.

The movement in the deferred tax assets and liabilities during the prior year is shown below:

	Accelerated tax depreciation	Provision	Share based payment	Total
	£000	£000	£000	£000
At 1 April 2020	229	(5)	(195)	29
Charged to profit	75	(5)	(14)	56
Credited directly through equity	-	-	(424)	(424)
At 31 Mar 2021	304	(10)	(633)	(339)

Notes to the financial statements

31 Deferred tax (continued)

The deferred tax charged/(credited) to other comprehensive income during the year is as follows:

	Year ended 31 March 2022	Year ended 31 March 2021
	£000	£000
Tax on items taken directly through equity	243	(424)

32 Operating leases

Company

The company has entered into an operating lease with its subsidiary Potter & Moore Innovations Ltd following the purchase of the Peterborough site in October 2019. The lease has a term of 20 years.

Future minimum rentals receivable under operating leases as at 31 March are as follows:

	2022	2021
Within one year	350	350
Between one and two years	350	350
Between two and three years	350	350
Between three and four years	350	350
Between four and five years	350	350
More than five years	4,400	4,750

33 Guarantees and other financial commitments

The Group has given a class guarantee facility with its bankers to HMRC in respect of import duties and VAT with a limit of £100,000.

The Group has entered into two cross guarantees with various other group companies to secure their banking facilities one dated 10 August 2016, and one dated 25 March 2004.

The Group has entered into a purchase credit card facility via its bankers with a limit of £30,000.

34 Employee Beneficial Trust (EBT)

The company created an Employee Beneficial Trust on 29 October 2021. The Trust was created to purchase and hold shares in Creightons plc to satisfy share awards under the Groups share option scheme. During the year the EBT purchased 215,259 ordinary shares in Creightons plc at a cost of £0.24m, an average price per share of £1.09.

Directors and Advisers

Directors

William O McIlroy	Chairman
Bernard JM Johnson	Managing Director
William T Glencross	Non-executive Director
Nicholas DJ O'Shea	Non-executive Director
Philippa Clark	Deputy Managing Director
Martin Stevens	Deputy Managing Director
Paul Forster	Non-executive Director

Registered Office and number

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Auditor

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