Creightons plc Group
Unaudited interim financial report
for the six months ended 30 September 2019

Financial highlights

- Revenue increased by 6.3% to £23.75m (2018: £22.34m).
- Gross margin percentage improved by 3.7% to 42.0% (2018: 38.3%).
- Profit before tax increased by 28.0% to £1.77m (2018: £1.38m).
- Operating profit margin of 7.7% (2018: 6.3%).
- Diluted EPS 2.06p (2018: 1.80p).
- Net cash inflow from operating activities of £3.26m (2018: net cash outflow of £1.35m).
- Net cash on hand £1.75m (2018: net borrowing £1.96m).
- Paid final dividend of 0.40p per ordinary share in September 2019 (2018: 0.23p).
- Interim dividend of 0.15p per ordinary share to be paid in December 2019 (2018: 0.15p).

Operational highlights

- Overall sales growth maintained.
- Acquired the Balance Active Formula skincare brand for £500,000 plus legal costs on 21 June 2019. This brand has contributed £304,000 of sales in the period to September 2019.
- Completed the purchase of the property in Peterborough on 16th October 2019 for £3.80m plus stamp duty and professional costs. The purchase was partly funded by a 15 year term loan of £3.04m with the balance funded from working capital.

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Chairman's statement

The Group has continued to drive sales and profit growth in the first half of the year and the impact of the continuing growth can be seen in the results for the period ending 30 September 2019.

Sales and margin
Group sales were £23.75m for the six months ended 30 September 2019 (2018: £22.34m) an increase of 6.3%. Driven in the main by the private label division due to the current demands and agendas by key retailers, UK and global, to have differentiation in their product offers. Sales through e-commerce doubled in the period, albeit from a low base.

Our gross margin was 42.0% in the six months to 30 September 2019 (2018: 38.3%). The improvement came from our review of all low margin business and putting action in place to improve contribution, which included targeted price increases, product re-engineering and a focus on sourcing alternate suppliers. This is in addition to an improved sales mix within our contract and branded division. In the branded division we have focused on higher margin equity brand sales which have substituted a low margin sales at the value end of the market, particularly with single price retailers. There will be a continued focus on cost reduction through all areas of the business from sourcing, to manufacturing and investment in plant and machinery.

Overheads
Distribution costs have increased by 13.3% to £1.17m (2018: £1.04m) and now represent 4.9% of sales (2018: 4.6%). Partly driven by organic growth but also due to the decision to outsource the warehousing and distribution of the majority of our finished goods to a third party logistics provider. We are continuing to review the warehousing operation to make targeted reductions in cost in this area.

Administration costs have increased by 13.9% to £6.97m (2018: £6.12m) with increased staff costs accounting for 49% of this increase, partly driven by a decision to reward staff with stepped pay rises accumulating to 7.5% compared to the previous 6 months. We are continuing to strengthen the management structure to position the Group for future growth.

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

Acquisition and disposal
On 21 June 2019, the company acquired the skincare brand equity interest, goodwill and intellectual property, of Balance Active Formula for £500,000 as well as their existing stocks. The acquisition adds to the Group's growing range of beauty and well-being products contributing £304,000 to sales for this period. On 13 August 2019 the Group sold its 55% interest in the equity of Amie Skincare Ltd with negligible impact on sales and profit.

Profit before tax
Profit before tax was £1.77m (2018: £1.38m), which represents an increase of 28.0%. The increased sales together with the improvement in gross margin results in an operating profit margin of 7.7% (2018: 6.3%).

Tax
The tax charge provided in the accounts of £0.26m (2018: £0.19m) represents a rate of 14.7% (2018: 13.5%).

Earnings per share
I am pleased to report that the result of the above is an improved diluted earnings per share of 2.06p (2018: 1.80p) an increase of 14.4%.

Dividend Payments
The Board confirms that it will be paying an interim dividend of 0.15 pence per ordinary share (2018: 0.15 pence per ordinary share), reflecting the continued strong performance the Group to 30 September 2019. This will be paid in December 2019. This is in addition to the dividend of 0.40 pence per ordinary share we paid in September 2019 (2018: 0.23 pence per ordinary share), the charge for which is shown in the accounts to 30 September 2019. The total payment in relation to the dividend paid in September was £0.25m (2018: £0.14m).

Working capital
Net cash on hand (cash and cash equivalents less short term borrowings and loans) is £1.75m (2018: net borrowing of £1.96m) after the payment of £0.5m for the acquisition of the Balance Active Formula skincare brand.

IFRS 16 – Operating leases
The Group has adopted IFRS 16 which requires operating leases to be recognised on the balance sheet as an asset and a finance lease obligation. The impact on profit is £27,000 with additional finance costs of £68,000 and depreciation of £69,000 compared to operating rental costs of £110,000. The balance sheet recognition resulted in an increase in property, plant and equipment of £819,000 and obligations under finance lease (short and long term) of £846,000.

Chairman's statement (continued)

Peterborough Property
On 16 October 2019, following shareholder approval at Creightons plc Extraordinary General Meeting, the Group 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. The purchase was partly funded by a 15 year term loan of £3.04m secured on the property. The interest rate on the first 10 years of this loan is fixed at 3.04%.
The Board and I believe that this half year's results including investments in resources and capabilities places the Group in an excellent position to take advantage of any opportunities that may arise.

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

W O McIlroy
Executive Chairman

20 November 2019

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Responsibility statement

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

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

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

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

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

By order of the Board

Nicholas O'Shea
Company Secretary and Director 20 November 2019

Principal risks and uncertainties

Risks

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

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

Capital structure, cash flow and liquidity

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

Brexit

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

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Consolidated income statement – unaudited

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2019	**2018**	**2019**
	Note	**£000**	**£000**	**£000**
Revenue	7	**23,751**	22,338	44,030
Cost of sales		**(13,776)**	(13,777)	(26,690)
Gross profit		**9,975**	8,561	17,340
Distribution costs		**(1,174)**	(1,036)	(2,204)
Administrative expenses		**(6,969)**	(6,119)	(12,236)
Operating profit		**1,832**	1,406	2,900
Disposal of investment		**11**	-	-
Finance costs	6	**(77)**	(26)	(31)
Profit before tax		**1,766**	1,380	2,869
Taxation	4	**(259)**	(186)	22
Profit for the period from continuing operations attributable to the equity shareholders of the parent company		**1,507**	1,194	2,891

Dividends		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2019	**2018**	**2019**
Paid in period (£'000)		**253**	140	233
Paid in period (pence per share)		**0.40p**	0.23p	0.38p
Proposed (£'000)		**95**	94	253
Proposed (pence per share)		**0.15p**	0.15p	0.40p

Earnings per share

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
	Note	**2019**	**2018**	**2019**
Basic	3	2.40p	1.97p	4.69p
Diluted	3	2.06p	1.80p	4.16p

Consolidated statement of comprehensive income - Unaudited

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2019	**2018**	**2019**
		£000	**£000**	**£000**
Profit for the year		1,507	1,194	2,891
Items that may be subsequently reclassified to profit and loss:				
Exchange differences on translating of foreign operations		(5)	2	-
Other comprehensive income for the year		(5)	2	-
Total comprehensive income for the period attributable to the equity holders of the company		1,502	1,196	2,891

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Consolidated balance sheet – unaudited

		30 September		31 March
		2019 (Unaudited)	**2018 (Unaudited)**	**2019 (Audited)**
		£000	**£000**	**£000**
Non-current assets				
Goodwill		837	331	331
Other intangible assets		435	365	418
Property, plant and equipment		3,211	2,058	2,363
		4,483	**2,754**	**3,112**
Current assets				
Inventories		7,373	7,332	8,015
Trade and other receivables		8,660	9,603	8,280
Cash and cash equivalents		2,405	716	349
		18,438	**17,651**	**16,644**
Total assets		**22,921**	**20,405**	**19,756**
Current liabilities				
Trade and other payables		7,152	6,951	6,339
Obligations under finance leases		179	-	40
Short term borrowings		660	2,679	732
		7,991	**9,630**	**7,111**
Net current assets		**10,447**	**8,021**	**9,533**
Non-current liabilities				
Deferred tax liability		27	6	25
Obligations under finance leases		1,068	-	154
		1,095	**6**	**179**
Total liabilities		**9,086**	**9,636**	**7,290**
Net assets		**13,835**	**10,769**	**12,466**
Equity				
Share capital		631	617	625
Share premium account		1,350	1,298	1,329
Other reserves		25	25	25
Translation reserve		(5)	2	-
Retained earnings		11,834	8,827	10,487
Total equity attributable to the equity shareholders of the parent company		**13,835**	**10,769**	**12,466**

Statement of changes in shareholders' equity – unaudited

	Share capital	Share premium account	Other reserves	Translation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018	607	1,262	25	-	7,711	9,605
Profit for six months ended 30 September 2018	-	-	-	-	1,194	1,194
Share based payments	-	-	-	-	26	26
Exchange differences on translation of foreign operations	-	-	-	2	-	2
Exercise of options	10	36	-	-	-	46
Deferred tax through Equity	-	-	-	-	36	36
Payment of dividend	-	-	-	-	(140)	(140)
Balance at 30 September 2018	617	1,298	25	2	8,827	10,769
Profit for six months ended 31 March 2019	-	-	-	-	1,697	1,697
Share based payments	-	-	-	-	43	43
Exchange differences on translation of foreign operations	-	-	-	(2)	-	(2)
Exercise of options	8	31	-	-	-	39
Deferred tax through Equity	-	-	-	-	13	13
Payment of dividend	-	-	-	-	(93)	(93)
Balance at 31 March 2019	625	1,329	25	-	10,487	12,466
Profit for six months ended 30 September 2019	-	-	-	-	1,507	1,507
Share based payments	-	-	-	-	67	67
Exchange differences on translation of foreign operations	-	-	-	(5)	-	(5)
Exercise of options	6	21	-	-	-	27
Deferred tax through Equity	-	-	-	-	26	26
Payment of dividend	-	-	-	-	(253)	(253)
Balance at 30 September 2019	631	1,350	25	(5)	11,834	13,835

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Consolidated cash flow statement – unaudited

	Note	Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2019	2018	2019
		£000	£000	£000
Net cash inflow/(outflow) operating activities	5	**3,258**	**(1,350)**	**958**
Cash flow from investing activities				
Purchase of property, plant and equipment		(320)	(452)	(1,026)
Expenditure on intangible assets		(250)	(286)	(583)
Purchase of goodwill on Balance Active Formula skincare brand		(506)	-	-
Disposal of investment		11	-	-
Net cash used in investing activities		**(1,065)**	**(738)**	**(1,609)**
Cash flow from financing activities				
Proceeds from new finance leases		232	-	198
Repayment of finance lease obligations		(66)	-	(5)
Proceeds on issue of shares		27	46	85
(Decease)/increase in invoice financing facilities		(398)	2,095	398
Increase/(decrease) of borrowings		326	(163)	(413)
Payment of dividend		(253)	(140)	(233)
Net cash (used in)/generated from financing activities		**(132)**	**1,838**	**30**
Net increase/(decrease) in cash and cash equivalents		**2,061**	**(250)**	**(621)**
Cash and cash equivalents at start of period		**349**	**968**	**968**
Effect of foreign exchange rate changes		(5)	(2)	2
Cash and cash equivalents at end of period		**2,405**	**716**	**349**

Notes to the unaudited interim financial report

1. Basis of preparation

The interim financial statements for the six months ended 30 September 2018 and 30 September 2019 and for the twelve months ended 31 March 2019 do not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements for the year ended 31 March 2019 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 March 2019 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006. The 30 September 2019 statements were approved by the Board of Directors on 20 November 2019. This unaudited interim report has not been audited or reviewed by auditors pursuant to the Financial Reporting Council guidance on Review of Interim Financial Information.

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

As required by the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, the condensed set of financial statements has been prepared by applying the accounting policies and presentation that were applied in the preparation on the Company's published consolidated financial statements for the year ended 31 March 2019, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The condensed interim financial statements for the six months ended 30 September 2019 and the comparative figures for the six months ended 30 September 2018 are unaudited. The figures for the year ended 31 March 2019 have been extracted from the Annual Report on which the Auditors issued an unqualified audit report and which have been filed with the Registrar of Companies.

2. Changes in significant accounting policies

With exception of IFRS16 for leases (IFRS 16) as described below, the accounting policies applied in these interim financial statements are the same as those applied to the Group's audited consolidated financial statements for the year ended 31 March 2019. IFRS 16 will be applied to the Group's audited financial statements for March 2020.

IFRS 16

The Group has adopted the modified retrospective approach to IFRS 16 from 1 April 2019 and therefore has not restated comparatives for previous reporting periods as permitted under the specific transitional provisions in the standard.

IFRS 16 replaces IAS 17 in providing a one lease accounting model requiring the recognition of assets and liabilities for all leases with the option to exclude leases where the underlying asset is of low value or the lease term is 12 months or less. The Group has elected to use this option. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the operating and finance lease distinction still applying. During this period the Group had no lessor activities. However following the acquisition of the Peterborough property the Company will lease the property to one of its subsidiaries and two other small tenants.

The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019. Also the Group applied other practical expedients of:

- using a single discount rate to a portfolio of leases with reasonably similar characteristics;
- excluding initial direct costs for the measurement of right of use assets at the date of initial application;
- reliance on previous assessments on whether the leases are onerous and
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

With the adoption of IFRS 16 the Group has recognised right of use assets and lease liability in relation to the property leased in Devon and the Group's forklift trucks previously identified as operating leases. As the Peterborough property lease ceased in October 2019 it has been accounted as an operating lease.

The leases now recognised under IFRS 16 were measured at present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 April 2019. This is the rate at which a similar borrowing could be obtained from an independent financial provider. The weighted average rate applied was 3.04%.

Until March 2019 the Devon properties and forklift trucks that were classified as operating leases all the payments under the leases were charged to the profit or loss on a straight-line basis over the term of the lease.

Notes to the unaudited interim financial report (Continued)

2. Changes in significant accounting policies – IFRS 16 (Continued)

From 1 April 2019 the value of the right of use assets included within property, plant and equipment on the Balance Sheet and the lease liability included within obligations under finance liabilities (short and long term) both increased by £888,000. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss for the period of the lease to produce a constant periodic rate of interest on the remaining liability. The right of use asset is depreciated over the shorter of the asset's useful economic life and the lease period on a straight line basis and the cost is included within administrative expenses.

At 30 September 2019 the values in relation to right of use assets included in property, plant and equipment were £819,000. The obligations under finance leases in relation to the right of use assets were recognised as £97,000 of current liabilities and £749,000 recognised in obligations under finance leases within non-current liabilities.

The impact on the income statement is £27,000 with additional finance costs of £68,000 and depreciation of £69,000 compared to operating rental costs of £110,000.

3. Earnings per share

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

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2019	2018	2019
		£000	£000	£000
Earnings				
Net profit attributable to the equity holders of the parent company		1,507	1,194	2,891

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2019	2018	2019
		Number	Number	Number
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share		62,808,438	60,645,066	61,587,535
Effect of dilutive potential ordinary shares relating to share options		10,308,825	5,834,849	7,888,968
Weighted average number of ordinary shares for the purposes of diluted earnings per share		73,117,263	66,479,915	69,476,503

4. Taxation

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2019	2018	2019
		£000	£000	£000
Current tax		(231)	(178)	62
Deferred tax		(28)	(8)	(40)
Total		(259)	(186)	22

Notes to the unaudited interim financial report (Continued)

5. Notes to cash flow statement

		Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
		2019	**2018**	**2019**
		£000	**£000**	**£000**
Profit from operations		**1,832**	**1,406**	**2,900**
Adjustments for:				
Depreciation on property, plant and equipment		353	226	489
Amortisation of intangible assets		238	269	514
Loss on disposal of property, plant and equipment		2	-	6
Share based payment charge		67	26	69
		2,492	**1,927**	**3,978**
Decrease/(increase) in inventories		642	(1,832)	(2,516)
Increase in trade and other receivables		(550)	(1,936)	(442)
Increase in trade and other payables		474	770	297
Cash generated/(utilised) in operations		**3,058**	**(1,071)**	**1,317**
Interest paid		(78)	(26)	(31)
Taxation refund/(paid)		278	(253)	(328)
Net cash inflow/(outflow) from operating activities		**3,258**	**(1,350)**	**958**

Analysis of changes in net debt

	At 1 April 2019	Cash flow	Non-cash movements	At 30 September 2019
	£000	**£000**	**£000**	**£000**
Cash and bank balances	349	2,061	(5)	2,405
Borrowings	(732)	72	-	(660)
Net debt	**(383)**	**2,133**	**(5)**	**1,745**

	At 1 April 2018	Cash flow	Non-cash movements	At 30 September 2018
	£000	**£000**	**£000**	**£000**
Cash and bank balances	968	(250)	(2)	716
Borrowings	(747)	(1,932)	-	(2,679)
Net debt	**221**	**(2,182)**	**(2)**	**(1,963)**

	At 1 April 2018	Cash flow	Non-cash movements	At 31 March 2019
	£000	**£000**	**£000**	**£000**
Cash and bank balances	968	(621)	2	349
Borrowings	(747)	15	-	(732)
Net debt	**221**	**(606)**	**2**	**(383)**

Notes to the unaudited interim financial report (Continued)

6. Finance costs

	Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
	2019	**2018**	**2019**
	£000	**£000**	**£000**
Interest on bank overdrafts and loans	5	26	30
Interest on obligations under finance leases	4	-	1
Interest on right of use assets	68	-	-
Total	77	26	31

7. Revenue

The disaggregation of the Group's revenue.

	Six months ended 30 September (Unaudited)		Year ended 31 March (Audited)
	2019	**2018**	**2019**
	£000	**£000**	**£000**
Sales of goods	24,078	22,384	44,601
Settlement discounts	(39)	(46)	(85)
Contracted retailer commitments	(127)	-	(181)
Royalties & commissions	(22)	-	(81)
Retailer promotional support	(139)	-	(224)
Revenue	23,751	22,338	44,030

8. Related party transactions

The related party transactions that occurred in the six months ended 30 September 2019 are not materially different in size or nature to those reported in the Company's Annual Report for the year ended 31 March 2019. On 16 October 2019 Oratorio Developments Limited, a company of which Mr W Mcllroy who is a Director and controlling shareholder, sold the freehold property at Peterborough to the Group for £3,800,000.

9. Availability of Interim Report

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

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

Ex-dividend date	Thursday 28 November 2019
Record date	Friday 29 November 2019
Payment date	Wednesday 18 December 2019

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

For more information:

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