CREIGHTONS

# Interim Report – September 2011

award winning
fresh ideas
talented innovation
marketing excellence
pro-active
technical expertise
dynamic passion
leading-edge brands
cross-category
credibility
full service
multi-faceted
global

Potter & Moore
ENGLISH CLASSICS
1749

just colour





[urban therapy]
giving you the control to style

The naturally perfect **Shave**

# Chairman's statement

The Group has again recorded a modest profit before tax of £6,000 in the first six months to 30 September 2011, comparable with the £2,000 achieved during the same six months last year, which, in the circumstances described below, we believe to be a good result. This profit has been achieved during a year of considerable change, with significant sales growth across all customer groups, more than compensating for the continued reduction in seasonal gift business. This sales growth has been brought about to a large extent by a change in emphasis, with greater focus on our own brands such as **The Real Shaving Company, Twisted Sista** and **Bronze Ambition**. Prior to last year, the Group usually traded at a loss in the first half of the year and then recorded a profit in the second half of the year. However, the improved sales in the first half of the year and a significant reduction in seasonal gift business, means that the historically cyclical nature of our business is likely to have much less impact in the current year. Consequently, lower seasonal sales in the second half of the year are likely to adversely impact on full year profits compared to last year.

Group sales in the first six months of the year increased by £846,000 (12%) to £7,657,000 (2010 – £6,811,000), compared with the same period last year. The sales trends experienced in the last two years, have continued with sales of our own branded products now accounting for 33% of sales, compared to 30% last year. Sales of seasonal private label gifts have continued to fall and now account for less than 2% of sales in the period, compared to 10% two years ago. As mentioned above, this change in activity will be more pronounced in the second half of the year. We have continued to consolidate the presence of our brands in the North American market, with a larger customer base. The sales agents appointed last year have helped us expand our distribution within this market.

Our gross margins have fallen by 0.6% compared to the same period last year, in the main due to increased raw material costs. We are now beginning to see a moderation in the intense raw material price pressure experienced in the first half of 2011 and are continuing in our efforts to improve our margins, through product re-engineering, targeted investment in plant and machinery and focused price increases. As part of this exercise we purchased raw materials at advantageous prices earlier in the year, which accounts for a significant portion of our increase in inventory levels. Now that the price pressure has eased, we are working to normalise our stock levels.

We have again increased our sales and new product development resource, to cope with the continued expansion of our branded sales and to cope with a significant new product development programme in the first half of the year, which resulted in the launch of 227 new products compared to 173 in 2010. Again this level of activity is not expected to continue into the second half of the year and we will adjust our resources accordingly. We have continued to support our branded sales expansion with increased advertising and promotional support and this is likely to continue where significant sales growth opportunities arise.

Whilst we continue to be cautious regarding the underlying level of retail sales, particularly in the current environment, we believe our strategy of developing strong value driven product will help counteract this uncertainty and is enabling us to build a more robust branded product franchise.

## Chairman's statement
continued

To help broaden our portfolio, the group has continued with its strategic investment in partner brands, by investing in the Miamoo baby range and the Amie Skincare brands in the period. The previous investment in Twisted Sista, has enabled this brand to grow particularly in the North American market. We anticipate further market penetration in the second half of the year, which should result in this brand being listed in over 10,000 stores in North America by March 2012.

We have made investments in tangible fixed assets in the period, to replace equipment lost in the fire in December 2010 and to improve production capacities and efficiencies. This level of expenditure, should not be repeated in the second half of the year.

There have been a number of major product launches in the period, with a high proportion of more complex skincare formulations resulting in increased investment in product development and testing costs than previous periods. In accordance with our standard policy, these have been capitalised and will be amortised over the expected life of the product.

Debtor levels have increased, as a result of a change in customer sales mix and higher sales in the last two months of the period.

I believe that this half year's pre-tax profit at £6,000 (2010 – profit of £2,000), is a good performance in the current economic climate and the continued change in the business mix away from seasonally biased business and increased sales of branded products, significantly strengthens the business fundamentals.

W O McIlroy
*Executive Chairman*

17 November 2011

## Responsibility statement

We confirm that to the best of our knowledge:

(a) The condensed set of financial statements has been prepared in accordance with IAS 34;

(b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of material related party transactions and changes therein).

By order of the Board

Nicholas O'Shea
*Company Secretary and Director*

# Consolidated income statement – unaudited

| | Note | Six months ended 30 September 2011 £000 | Six months ended 30 September 2010 £000 | Year ended 31 March 2011 £000 |
|---|---|---|---|---|
| Revenue | | **7,657** | 6,811 | 14,130 |
| Cost of sales | | **(4,495)** | (3,954) | (8,202) |
| **Gross profit** | | **3,162** | 2,857 | 5,928 |
| Distribution costs | | **(323)** | (294) | (654) |
| Administrative expenses | | **(2,811)** | (2,554) | (5,107) |
| **Profit from operations** | | **28** | 9 | 167 |
| Finance costs | | **(22)** | (7) | (32) |
| **Profit before tax** | | **6** | 2 | 135 |
| Taxation | | **–** | – | – |
| **Profit for the period from continuing operations attributable to the equity holders of the parent company** | | **6** | 2 | 135 |
| **Earnings per share** | | | | |
| Basic | 2 | **0.011p** | 0.004p | 0.25p |
| Diluted | 2 | **0.010p** | 0.003p | 0.23p |

# Consolidated statement of comprehensive income

| | Six months ended 30 September 2011 £000 | Six months ended 30 September 2010 £000 | Year ended 31 March 2011 £000 |
|---|---|---|---|
| **Profit for the period from continuing operations** | **6** | 2 | 135 |
| Exchange differences on translating of foreign operations | **(9)** | 21 | 23 |
| Movement on cash flow hedges taken to equity | **–** | – | – |
| **Total comprehensive income for the period attributable to the equity holders of the company** | **(3)** | 23 | 158 |

# Consolidated balance sheet – unaudited

| | 30 September | | 31 March |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| | £000 | £000 | £000 |
| **Non-current assets** | | | |
| Goodwill | **345** | 343 | 343 |
| Other intangible assets | **258** | 141 | 168 |
| Property, plant and equipment | **630** | 362 | 376 |
| | **1,233** | 846 | 887 |
| **Current assets** | | | |
| Inventories | **3,530** | 3,161 | 3,025 |
| Trade and other receivables | **3,342** | 2,789 | 2,578 |
| Cash and cash equivalents | **61** | 43 | 96 |
| | **6,933** | 5,993 | 5,699 |
| **Total assets** | **8,166** | 6,839 | 6,586 |
| **Current liabilities** | | | |
| Trade and other payables | **2,113** | 2,346 | 2,155 |
| Obligations under finance leases | **27** | 13 | 6 |
| Bank overdrafts and loans | **2,135** | 803 | 611 |
| | **4,275** | 3,162 | 2,772 |
| **Net current assets** | **2,658** | 2,831 | 2,927 |
| **Non-current liabilities** | | | |
| Obligations under finance leases | **70** | 2 | 1 |
| **Total liabilities** | **4,345** | 3,164 | 2,773 |
| **Net assets** | **3,821** | 3,675 | 3,813 |
| **Equity** | | | |
| Share capital | **545** | 543 | 543 |
| Share premium account | **1,231** | 1,229 | 1,229 |
| Other reserves | **38** | 38 | 38 |
| Share-based payment reserve | **37** | 71 | 30 |
| Retained earnings | **2,011** | 1,826 | 2,005 |
| Translation reserve | **(41)** | (32) | (32) |
| **Total equity attributable to the equity shareholders** | **3,821** | 3,675 | 3,813 |

# Statement of changes in shareholders equity – unaudited

| | Share capital £000 | Share premium £000 | Other reserves £000 | Share-based payment reserve £000 | Retained earnings £000 | Translation reserve £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 April 2010 | 543 | 1,229 | 38 | 69 | 1,824 | (53) | 3,650 |
| Profit for six months ended 30 September 2010 | – | – | – | – | 2 | – | 2 |
| Debit to equity for share-based payments | – | – | – | 2 | – | – | 2 |
| Exchange differences on translation of foreign operations | – | – | – | – | – | 21 | 21 |
| **Balance at 30 September 2010** | **543** | **1,229** | **38** | **71** | **1,826** | **(32)** | **3,675** |
| Profit for six months ended 31 March 2011 | – | – | – | – | 133 | – | 133 |
| Debit to equity for share-based payments | – | – | – | 3 | – | – | 3 |
| Transfer to Income | – | – | – | (44) | 44 | – | – |
| Exchange differences on translation of foreign operations | – | – | – | – | 2 | – | 2 |
| **Balance at 31 March 2011** | **543** | **1,229** | **38** | **30** | **2,005** | **(32)** | **3,813** |
| Issue of share capital | 2 | 2 | – | – | – | – | 4 |
| Profit for six months ended 30 September 2011 | – | – | – | – | 6 | – | 6 |
| Debit to equity for share-based payments | – | – | – | 7 | – | – | 7 |
| Exchange differences on translation of foreign operations | – | – | – | – | – | (9) | (9) |
| **Balance at 30 September 2011** | **545** | **1,231** | **38** | **37** | **2,011** | **(41)** | **3,821** |

# Consolidated cash flow statement – unaudited

| | Six months ended 30 September 2011 £000 | Six months ended 30 September 2010 £000 | Year ended 31 March 2011 £000 |
|---|---|---|---|
| **Net cash outflow from operating activities** | **(1,150)** | (482) | (160) |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | **(286)** | (25) | (108) |
| Goodwill | **(3)** | (12) | (3) |
| Expenditure on intangible assets | **(215)** | (62) | (171) |
| Proceeds of disposal of plant and equipment | **–** | – | 114 |
| **Net cash used in investing activities** | **(504)** | (99) | (168) |
| **Cash flow from financing activities** | | | |
| Repayment of finance lease obligations | **(8)** | (8) | (16) |
| New finance lease obligations | **97** | – | – |
| Proceeds on issue of shares | **4** | – | – |
| Increase in bank loans | **1,524** | 586 | 395 |
| **Net cash from financing activities** | **1,617** | 578 | 379 |
| **Net (decrease)/increase in cash and cash equivalents** | **(37)** | (3) | 51 |
| Cash and cash equivalents at start of period | **96** | 49 | 49 |
| Effect of foreign exchange rate changes | **2** | (3) | (4) |
| Cash and cash equivalents at end of period | **61** | 43 | 96 |

# Notes to the interim financial report

## 1 Basis of preparation

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 Services Authority, the condensed set of financial statements has been prepared by applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 March 2011, 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 2011 and the comparative figures for the six months ended 30 September 2010, are unaudited and have not been reviewed by the Auditors. The summary financial statements for the year ended 31 March 2011, represent an abbreviated version of the Group's full financial statements for that year, on which the Auditors issued an unqualified audit report and which have been filed with the Registrar of Companies.

# Notes to the interim financial report

continued

## 2 Earnings per share

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

| | Six months ended 30 September | | Year ended 31 March |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| | £000 | £000 | £000 |
| **Earnings** | | | |
| Net profit attributable to the equity holders of the parent company | **6** | 2 | 135 |

| | Six months ended 30 September | | Year ended 31 March |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| | Number | Number | Number |
| **Number of shares** | | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **54,478,876** | 54,275,876 | 54,275,876 |
| Effect of dilutive potential ordinary shares relating to Share options | **5,426,550** | 5,426,550 | 5,426,550 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **59,905,426** | 59,702,426 | 59,702,426 |

## 3 Related party transactions

The related party transactions that occurred in the six months ended 30 September 2011 are not materially different in size or nature to those reported in the Company's Annual Report for the year ended 31 March 2011.

## 4 Availability of Interim Report

The Interim Report is being sent to shareholders. Further copies can be obtained from the Company's Registered Office, 1210 Lincoln Road, Peterborough, PE4 6ND.

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