21 July 2021

Creightons Plc

Preliminary results

Creightons Plc (the "Group" or "Creightons") is pleased to announce its preliminary results for the year ended 31 March 2021.

Financial highlights

- Revenue increased by 28.9% to £61.6m (2020: £47.8m).
- Operating profit increased by 43.7% to £5.4m (2020: £3.8m).
- Operating profit margin of 8.8% (2020: 7.9%).
- A tax charge of £0.8m (2020 - £0.4m) equates to an effective tax rate of 16.2% (2020: 10.8%).
- The profit after tax for the year has increased by £1.1m to £4.3m (2020: £3.2m).
- The profit increase has improved the fully diluted earnings per share to 5.89p (2020: 4.34p).
- Balance sheet remains strong after significant investment in working capital, product development and fixed assets to support growth.
- Net cash on hand (cash and cash equivalents less short-term element of obligations under finance leases and borrowings) is £6.2m (2020: £2.8m).
- Proposed final dividend 0.50p per ordinary share (2020: 0.50p).

Operational highlights

- Sales growth momentum maintained despite the impact of Covid:
  - Our own branded sales (excluding hygiene products) have grown by 16.0%.
  - Hygiene Related product delivered sales of £14.6m.
  - Sales of retailer own label products decreased by 6.0%.
  - Contract sales declined by 7.6%.
  - Total overseas sales have reduced by 3.9% to £6.9m (2020: £7.2m).

- Successful transitioning of brands with higher price point products and wider retail distribution.

- Cash on hand increased despite significant investment in working capital, product development and plant & equipment to support the business growth.

- Brexit – Impact of Brexit on operations has not been significant.
- Covid 19 - impact in the period;
  - Significantly increased sales of hygiene products under our Pure Touch Brand.
  - Reduced sales to customers whose operations were impacted during the shutdowns around the world. This has largely impacted on sales to contract customers, although there has been a smaller impact on private label sales.
  - No impact on year-end debtor provisions, stock provisions increased to reflect the surplus stock on the market of hygiene products.
  - Higher operational costs arising on creating a safe working environment, which totalled £1.6m.

Commenting on the results, William McIlroy, Chairman of Creightons Plc, said:
"The Group has continued its recent trend of delivering year on year organic sales growth supplemented by the sales of hygiene products, delivering continued improvements in operating profit. The cash generated by the Group's growth puts it in an excellent position to take advantage of any new opportunities that may arise."

Commenting on the results, Bernard Johnson, Managing Director, said:
"The team across the Group has performed exceptionally well to cope with challenges and pressures associated with the Covid-19 pandemic. We have been able to keep our employees working in a safe environment throughout the pandemic and responded to the requirements of our customers. We will continue to invest in the development of our people, sustainable production capabilities and are open to the acquisition of new brands with a digital presence."

Enquiries – Analysts and Investors:

Nicholas O'Shea, Director, Creightons Plc	01733 281000	
Roland Cornish / Felicity Geidt, Beaumont Cornish Limited	0207 628 3396	
Press Nigel Szembel, Anagallis Communications Limited	07802 362088	nigelszembel@anagallis.co.uk

Overview

The Group has continued its recent expansion with growth of 28.9%, supported by the sales from hygiene related products and the brand acquired in 2019, resulting in sales of £61.6m for the year ended 31 March 2021 (2020: £47.8m). This has driven a 43.7% increase in operating profit to £5,393,000 (2020: £3,754,000).

Revenue

The fact that overall sales growth is not reliant on one business stream illustrates the resilience of our business model. Covid-19 has had both positive and negative impacts on sales, with sales of hygiene related products contributing £14.6m in the period (2020: £0m). Group sales have been negatively impacted across private label and contract sales streams, decreasing by £1.4m (6.0%) and £1.0m (7.6%) respectively. Branded sales increased by 157.2% in the period, with the Pure Touch hygiene brand delivering £14.6m of sales. Sales growth of our branded products was driven by higher retail position brands such as Feather & Down, which continues to perform with current customers and extended distribution, and The Curl Company with wider distribution in both the UK and overseas. There has been a significant improvement in direct to consumer sales which now contribute £0.9m of total sales. The discount sector continues to be a competitive market with many of the customers moving away from brands to focus on their private label offering.

The Group's total overseas business, including the Australian subsidiary and non-own branded customers, reduced by 3.9% to £6.9m (2020: £7.2m).

Margin and cost of sales

Our gross margin was 40.6% for the year ended 31 March 2021 (2020: 42.2%). Whilst sales mix has been a contributor to the margin reduction there are some additional costs in this year which have impacted on margin. As trade normalises these will not be a feature. The additional costs in the year include increases in:

- direct labour costs associated with supporting staff through their isolation and additional payments to those who worked on our sites through the viruses two peaks.
- procurement and import freight costs associated purchasing and air-freighting scarce materials to meet the exceptional demand for hygiene products. Whilst we increased sales price in recognition that these costs would be higher than normal the actual costs were higher than anticipated.
- container costs to import materials from the Far East in the last 4 months of the year.
- stock provisions for excess materials as demand for hygiene products reduced rapidly following the easing of the first lockdown.
- Third party sub-contractor costs used to expand production quickly to meet the demand for hygiene products.

We have benefited from the economies of scale generated by sales growth, continued improvements in productivity and the successful re-sourcing of many raw materials during the year that have helped to offset the impact of the margin reduction and increases in the minimum wage. The re-sourcing exercise is ongoing and continues to contribute to margins.

Distribution costs and Administrative expenses

Distribution costs have increased by 37.0% to £3,353,000 (2020: £2,447,000), predominantly driven by organic growth but also due to the decision to outsource the warehousing and distribution of our finished goods to a third-party logistics provider. This process is complete and was critical in enabling the Group to deliver current future sales growth.

Administrative expenses have increased by 16.1% (2020: 14.3%) in the year as the Group has invested in increased resources as it builds a team capable of delivering the growth anticipated for the future. These costs include £753,000 of Covid-19 costs which will be reduced 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 £6,942,000 (2020: £5,116,000) this represents an increase of £1,826,000 (35.7%) which illustrates the ability of the Group to generate profits to support future expansion.

Tax

The Group's tax charge for the year was £837,000 (2020: £384,000) which equates to a rate of 16.2% (2020: 10.8%). The effective rate of tax is significantly less than the standard rate of 19.0% (2020: 19.0%). The main reason for this reduction is the R&D relief claims for the current year of £206,000 (2020: £213,000) and the reduction due to the tax charge associated with share options exercised in the period of £66,000 (2020: £148,000).

Profit after tax

The Group's profit after tax has increased by 36.8% to £4,334,000 for the year ended 31 March 2021 (2020: £3,168,000).

Chairman's statement (continued)

Earnings per share

The diluted earnings per share of 5.89p (20: 4.34p) is an increase of 35.7%.

Working capital

Net cash on hand (cash and cash equivalents less short-term element of obligations under finance leases and borrowings) is £6,155,000 (2020: £2,764,000). The Group generated £6,190,000 (2020: £6,612,000) from operating activities. This cash resource will enable the group to take advantage of future opportunities to expand the business.

Return on Capital Employed

The Group has continued to increase its Reserves, and has also increased its Return on Capital Employed from 29.0% to 22.4%. The Group continues to look for opportunities to invest in brands that will help drive faster growth in profits.

Net gearing

Net gearing of negative 13.8% (2020: 5.6%) has decreased by 19.4% in the year following the property purchase in 2020 and improved profitability and cash generation in 2021.

Dividend

The Board proposes a final dividend of 0.50 pence per ordinary share, subject to approval at the AGM, (2020: 0.50 pence). This is in line with the directors' intention to align future dividend payments to the underlying earnings and cash flow of the business. Together with the interim dividend of 0.15 pence per share paid last December, the total dividend paid for the year ended 31 March 2021 is 0.65 pence (2020: 0.65 pence).

Covid-19 statement

Whilst the Group has faced a number of challenges since the outbreak of Covid-19 and has incurred significant costs associated with managing the risks associated with Covid-19, it has also found opportunity to deliver hygiene product types sought by consumers and health care providers during the pandemic. In particular, the Company has been able to introduce its Pure Touch brand of hand sanitisers and hand washes, incorporating a new patent-pending anti-viral cream and to expand sales of hygiene products in our existing ranges. The key impacts of Covid-19 on the business are;

- Sales – increased hygiene sales and reduced sales to those customers adversely impacted by Covid lockdown restriction.
- Operating margins – outsourcing production, higher raw material and inward freight costs.
- Supporting employees and keeping the workplace secure - additional costs included in margin and in overheads.

Many of these costs have been reduced over the early months of the current financial year, commencing April 2021, as Covid-19 infection rates have fallen. On the basis that these levels remain low we anticipate these costs will be significantly lower in the current financial year.

Brexit

Brexit has occurred and will result in some increased long-term costs associated with the regulatory management and import and export administration. These will not materially impact on the Group's performance.

Conclusion

The Board believes that the strong customer relationships and robust financial position has enabled the Group to manage the current crisis and is well placed to proactively manage new challenges and take advantage of any new opportunities that may arise.

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

William McIlroy
Chairman, 20 July 2021

Directors' responsibilities statement

The directors whose names and functions are set out in the full report are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

UK company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the Group consolidated financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework. Under UK company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

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

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

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

Directors' responsibility statement pursuant to DTR4 – Periodic Financial Reporting

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

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

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 over the past 16 months, 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. The business is funded using; retained earnings, a long term mortgage and sale and lease back arrangements to support investments in fixed assets, and invoice financing and overdraft facilities for working capital. Further details are set out in Note 24 of the Group's accounts.

At 31 March 2021 the invoicing financing is in a surplus position of £1,232,000 (2020: £336,000), due to cash received from customers immediately before the year end and not yet transferred to the bank account. At 31 March 2021 the Group had utilised £0 (2020: £554,000) of its overdraft facility.

Competitive environment

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

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

It also monitors risks not directly or specifically financial, but capable of having a major impact on the business's financial performance if there is any failure; such as product contamination and manufacture outside specification, maintenance of satisfactory levels of customer and consumer service, accident ratios, failure to meet environmental protection standards or any of the areas of regulation mentioned above. Further details of financial risks are set out in Note 2.

Brexit

At a Group and business level we prepared for changes in legislation, trade agreements and working practices to take advantage of any opportunities arising and to mitigate risk 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 of Potter & Moore Ltd based in Ireland as an EU base for recording regulatory information and a new subsidiary Creightons gmbh to trade directly with EU customers as required. 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, will increase costs but the impact will be minimal. The potential for divergence in regulations between the UK and EU may prove a barrier to trade in the worst-case scenario and an increase in product development and compliance costs are expected. 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.

Credit risk

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 limits, apart from the Department of Health and Social Care, are within insured credit limits or they pay on a pro-forma basis.

Supplier sourcing and costs

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

Environmental protection standards

The Group's technical department continues to monitor all relevant environmental regulations that it must adhere to ensure continued compliance.

Cyber security

There has been an explosion in Cyber Security threats faced by all businesses in the past year. 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 engaged in an ongoing training programme of employees to ensure that they are constantly aware of their role in protecting the business from all cyber security threats.

Covid-19

Like all businesses, Covid-19 continues to present significant risks to our customer base, supply chain and the infection risk faced by our employees. More details on the impact are disclosed in the Chairman's Statement on page 3.

The Group established a committee of senior executives which initially met on a daily basis to ensure that all aspects of the risks and opportunities associated with Covid-19 were addressed.

Amongst other actions, we have;

- Introduced a Covid-19 testing regime for all employees who cannot work from home,
- Increased use of PPE, re-laid out production lines and installed screens to ensure social distancing can be maintained,
- Expanded all cleaning regimes in our sites,
- Managed site access through new security and temperature testing processes,
- Minimised the risks associated with car sharing during the peak of the pandemic by providing our own transport for employees who cannot get to work by other means,
- Supported staff who continued to work in our sites through the pandemic and staff who were unable to work as they were required to isolate by topping up Furlough payments.

While these actions have increased our costs, they have ensured we can continue to service our customers and provide our workforce with as safe a working environment as possible. 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 is being repaid over 10 months commencing March 21. No further Government schemes were used.

Consolidated income statement

	Note	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Revenue		61,605	47,808
Cost of sales		(36,623)	(27,625)
Gross profit		24,982	20,183
Distribution costs		(3,353)	(2,447)
Administrative expenses		(16,236)	(13,982)
Operating profit		5,393	3,754
Profit on disposal of subsidiary		-	11
Finance costs		(222)	(213)
Profit before tax		5,171	3,552
Taxation		(837)	(384)
Profit for the year from operations attributable to the equity shareholders of the parent Company		4,334	3,168

Dividends

	Note	Year ended 31 March 2021	Year ended 31 March 2020
Paid in year (£000)		421	347
Paid in year (pence per share)		0.65p	0.55p
Proposed (£000)		324	324
Proposed (pence per share)		0.50p	0.50p

Earnings per share

	Note	Year ended 31 March 2021	Year ended 31 March 2020
Basic	5	6.69p	4.99p
Diluted	5	5.89p	4.34p

Consolidated statement of comprehensive income

		Year ended 31-Mar 2021 £000	Year ended 31-Mar 2020 £000
Profit for the year		4,334	3,168
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations		9	21
Other comprehensive income for the year		9	21
Total comprehensive income for the year attributable to the equity shareholders of the parent		4,343	3,189

Consolidated balance sheet

		31-Mar	**31-Mar**
		2021	**2020**
	Note	**£000**	**£000**
Non-current assets			
Goodwill		331	331
Other intangible assets		818	971
Property, plant and equipment		5,857	5,956
Right-of-use assets		1,090	1,120
Deferred tax Asset		339	-
		8,435	**8,378**
Current assets			
Inventories		8,318	7,394
Trade and other receivables		10,236	8,867
Cash and cash equivalents		6,558	3,670
		25,112	**19,931**
Total assets		**33,547**	**28,309**
Current liabilities			
Trade and other payables		9,177	7,840
Corporation tax payable		329	176
Lease liabilities		237	193
Borrowings		166	713
		9,909	**8,922**
Net current assets		**15,203**	**11,009**
Non-current liabilities			
Deferred tax liability		-	29
Lease liabilities		906	976
Borrowings		2,646	2,816
		3,552	**3,821**
Total liabilities		**13,461**	**12,743**
Net assets		**20,086**	**15,566**
Equity			
Share capital	6	648	647
Share premium account		1,410	1,406
Other reserves		25	25
Translation reserve		30	21
Retained earnings		17,973	13,467
Total equity attributable to the equity shareholders of the parent Company		**20,086**	**15,566**

Consolidated statement of changes in equity

	Share capital (note 6)	Share premium account	Other reserves	Translation reserve	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2019	625	1,329	25	-	10,487	12,466
Comprehensive income for the year						
Profit for the year	-	-	-	-	3,168	3,168
Exchange differences on translation of foreign operations	-	-	-	21	-	21
Total comprehensive income for the year	**-**	**-**	**-**	**21**	**3,168**	**3,189**
Contributions by and distributions to owners						
Exercise of options	22	77	-	-	-	99
Share-based payment charge	-	-	-	-	133	133
Deferred tax through Equity	-	-	-	-	26	26
Dividends	-	-	-	-	(347)	(347)
Total contributions by and distributions to owners	**22**	**77**	**-**	**-**	**(188)**	**(89)**
At 31 March 2020	**647**	**1,406**	**25**	**21**	**13,467**	**15,566**
Comprehensive income for the year						
Profit for the year	-	-	-	-	4,334	4,334
Exchange differences on translation of foreign operations				9	-	9
Total comprehensive income for the year	**-**	**-**	**-**	**9**	**4,334**	**4,343**
Contributions by and distributions to owners						
Exercise of options	1	4	-	-	-	5
Share-based payment charge	-	-	-	-	195	195
Deferred tax through Equity	-	-	-	-	398	398
Dividends	-	-	-	-	(421)	(421)
Total contributions by and distributions to owners	**1**	**4**	**-**	**-**	**172**	**177**
At 31 March 2021	**648**	**1,410**	**25**	**30**	**17,973**	**20,086**

Consolidated cash flow statement

		Year ended 31 March	Year ended 31 March
		2021	**2020**
		£000	**£000**
Profit from operations		**5,393**	**3,754**
Adjustments for:			
Depreciation on property, plant and equipment		846	615
Depreciation on right of use assets		206	192
Amortisation of intangible assets		497	555
Loss on disposal of property, plant and equipment		4	-
Loss on disposal of Right-of-use assets		5	-
Share based payment charge		195	133
		7,146	**5,249**
(Increase)/decrease in inventories		(924)	621
Increase in trade and other receivables		(1,369)	(759)
Increase in trade and other payables		1,377	1,501
Cash generated from operations		**6,190**	**6,612**
Taxation paid		(684)	(6)
Net cash generated from operating activities		**5,506**	**6,606**
Investing activities			
Purchase of property, plant and equipment		(869)	(4,631)
Purchase of Right-of-use assets		(34)	
Proceeds from sale and lease back		174	238
Purchase of intangible assets		(344)	(1,103)
Proceeds of disposal on investments		-	11
Net cash used in investing activities		**(1,073)**	**(5,485)**
Financing activities			
Proceeds on issue of shares		5	99
Principal paid on lease liabilities		(188)	(157)
Interest on leases liabilities		(139)	(146)
Interest paid on mortgage loan		(89)	(51)
Interest paid on overdrafts and loans		(4)	(16)
(Decrease) in invoice financing facilities		-	(398)
(Decrease) / increase of borrowings		(554)	220
Draw down of loan facility		-	3,040
Repayment on loan facility		(164)	(65)
Dividends paid to owners of the parent		(421)	(347)
Net cash (used in)/generated from financing activities		**(1,554)**	**2,179**
Net increase in cash and cash equivalents		**2,879**	**3,300**
Cash and cash equivalents at start of year		**3,670**	**349**
Effect of foreign exchange rate changes		9	21
Cash and cash equivalents at end of year		**6,558**	**3,670**

Notes to preliminary announcement

1. Significant accounting policies

Basis of accounting

The Group consolidated financial statements have been prepared and approved in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and they are prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

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

Adoption of new and revised accounting standards

No new standards impacting on the Group have been adopted in its financial statements for the year ended 31 March 2021.

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

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

2 Financial instruments and treasury risk management

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 2021 100% of trade debtors (2020 76.9%) is covered by credit insurance. 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 of the Group's Annual Report.

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, 13.5 years remaining, secured on the property with an interest rate of 3.04% fixed for the first 10 years, 8.5 years remaining, of the loan, therefore reducing the interest rate risk.

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 £5,000 (2020: £9,000). A 1% decrease would have the opposite effect. The Group's sensitivity to interest rates has not changed during the current year.

Foreign currency risks

The Group 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% (2020: 3%) of the Group's income is denominated in US dollars and 1% (2020: 2%) in Euros. Approximately 3% (2020: 2%) of the Group's expenditure is denominated in US dollars and 3% (2020: 6%) in Euros.

Foreign currency sensitivity

A 5% strengthening of sterling would result in a £158,000 (2020: £22,000) increase in profits and equity. A 5% weakening in sterling would result in a £174,000 (2020: £25,000) 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 2021 or 31 March 2020.

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 2021 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 2021 the Group had available £6,406,000 (2020: £6,160,000) 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 8.5 years of the loan.

3 Financial assets

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

		Group		Company	
		2021	**2020**	**2021**	**2020**
		£000	**£000**	**£000**	**£000**
Trade and other receivables		9,772	8,628	1,866	1,754
Cash and cash equivalents		6,558	3,670	1	-
Total		**16,330**	**12,298**	**1,867**	**1,754**

4 Financial liabilities

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

Year ended 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**

Year ended 31 March 2020

		Group				
		Less than 6 months	**Between 6 months and 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
		£000	**£000**	**£000**	**£'000**	**£000**
Trade payables		5,063	-	-	-	5,063
Accruals		1,441	-	-	-	1,441
Obligations under finance leases		96	97	793	183	1,169
Overdraft and invoice financing		732	-	-	-	554
Loan		79	80	702	2114	2,975
Total		**7,233**	**177**	**1,495**	**2,297**	**11,202**

5 Earnings per share

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

		Year ended 31 March	Year ended 31 March
		2021	2020
		£000	£000
Earnings			
Net profit attributable to the equity holders of the parent company		4,334	3,168

		Year ended 31 March	Year ended 31 March
		2021	2020
		Number	Number
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share		64,757,807	63,431,622
Effect of dilutive potential ordinary shares relating to share options		8,788,756	9,507,807
Weighted average number of ordinary shares for the purposes of diluted earnings per share		73,546,563	72,939,429

Earnings per share

Basic		6.69p	4.99p
Diluted		5.89p	4.34p

6 Share capital

		Ordinary shares of 1p each	
		£000	Number
At 1 April 2019		625	62,546,143
Issued in the year		22	2,200,000
At 31 March 2020		647	64,746,143
Issued in the year		1	106,100
At 31 March 2021		648	64,852,243

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 £5,000 (2020: £99,000).

7 Notes to cash flow statement

Analysis of changes in net debt

	Overdraft	Invoice Financing	Mortgage	Total
	£000	£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**

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

8 Status of information

In accordance with section 435 of the Companies Act 2006, the directors advise that the financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 March 2021 or 2020, but is derived from these financial statements. The financial statements for the year ended 31 March 2020 have been delivered to the Registrar of Companies. The financial statements for the year ended 31 March 2021 have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements for the year ended 31 March 2021 will be forwarded to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on these financial statements; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The consolidated statement of financial position at 31 March 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended have been extracted from the Group's financial statements. Those financial statements have not yet been delivered to the Registrar.

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

The annual report and accounts for the period ended 31 March 2021 will be uploaded to the National Storage Mechanism and will be available for viewing shortly at http://www.morningstar.co.uk/uk/NSM

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

The Company's AGM will take place at the offices of Potter & Moore Innovations Ltd, 1210 Lincoln Road, Peterborough, PE4 6ND on 25 August 2021 at 12:00 noon subject to prevailing Government Covid guidelines.