

18 July 2024

**Creightons Plc**

**Audited Preliminary results**

**Annual General Meeting**

Creightons Plc (the "Group" or "Creightons") brand owners and manufacturers of personal care, beauty, and fragrance products, is pleased to announce its preliminary results for the year ended 31 March 2024.

The Company's annual report and financial statements for the year ended 31 March 2024 will be made available from the Company's website at: <https://www.creightonsplc.com>

In addition, the document will be uploaded to the National Storage Mechanism and will be available for viewing at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

The Company's Annual General Meeting will take place at the offices of Potter & Moore Innovations Ltd, 1210 Lincoln Road, Peterborough, PE4 6ND on 28 August 2024 at 12:00 noon.

We are pleased to announce an in-person presentation for analysts and investors scheduled for Wednesday 24<sup>th</sup> July at 11:00 AM. If you wish to attend, please email us at [creightons@piworld.co.uk](mailto:creightons@piworld.co.uk) for further instructions and details.

We look forward to your participation.

**Financial highlights**

- Improved gross margin performance on lower revenue of £53.2m (2023: £58.6m) a reduction of 9.2%, as a result of cost reduction and product portfolio rationalisation.
- Gross profit margin increased by 1.3% to 42.9% from 41.6%.
- Full year operating profit margin (before exceptional items) of 2.9% (2023: 2.7%).
- EBITDA for the year was £3.2m (2023: £3.0m).
- Exceptional items included Emma Hardie brand intangible asset impairment of £4.4m (2023: £Nil).
- Adjusted diluted earnings per share excluding exceptional items, was positive 1.42p (2023: 1.05p).
- Stock held on hand reduced by £2.0m to £8.2m (2023: £10.2m).
- Net cash on hand (cash and cash equivalents less short-term element of obligations under finance leases and borrowings) is positive £2.2m (2023: negative £1.2m).
- The Directors propose a final dividend of 0.45 pence per ordinary share for the year ended 31 March 2024 (2023: Nil).

**Operational highlights**

- Private label saw growth in revenue whilst Branded and Contracts sales saw a downturn in revenue activity:

- Sales of retailer own label products increased by 7.9% to £23.7m.
  - Overall branded sales have decreased by 7.6% to £21.0m.
  - Contract manufacturing sales decreased by 38.9% to £8.4m.
  - The Group's total overseas business decreased by 20.1% to £8.5m (2023: £10.6m).
- The Group has continued to successfully implement the six-point plan. The remedial measures were intended to restore profitability, reduce costs and inventory and to return to positive cash flow. The resulting actions and their impact are summarised in the following six areas:
    - Increase in selling prices to our customers
      - Sales teams continued the process of Cost Price Increase (C.P.I) monitoring across all categories of supply. This was used as the basis to negotiate sales price increases with customers. This has proved successful as indicated by the improvement in gross margin.
    - Reduction in overheads
      - Cost rationalisation has seen Administrative costs decrease by 5.6% to £17.8m (2023: £18.9m).
    - Increase efficiency and capacity in each factory so as to maximise the benefit of single shift working
      - Manufacturing team reducing to one shift at both Peterborough (September 2022) and Devon (September 2023).
    - Relocating the customer facing side of the business, warehousing, picking and packing and logistics back to the Peterborough site
      - Restructuring warehousing and logistics has seen Distribution costs decrease by 10.6% to £3.5m (2023: £3.9m).
    - Reduction in stock levels, targeting £2m reduction against prior year
      - We have achieved stock reductions of £2.0m to the end of March 2024, achieving a closing stock balance of £8.2m (2023: £10.2m) without any reduction in effective service levels to customers.
    - New and non-critical capital expenditure cancelled unless payback less than 9 months
      - Purchase of property, plant and equipment has reduced to £0.3m (2023: £0.8m).

The combined effect of these measures, carried out over the course of the year and in particular the second half of the year, has been to improve profitability and generate positive cashflow.

Enquiries - Analysts and Investors:

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## **Chairman's statement**

I take pleasure in presenting my first statement following my appointment as Chair of the Board on 7 March 2024. The structure of this report will be different to previous years with a top-level overview of the Group's performance in the past year, changes to the board and senior management team and an overview of the direction of the business over the next few years.

Our new Managing Director, Philippa Clark will provide a more detailed review of the performance including a review of revenue and brand performance. This will be followed by a report on the Group's financial results.

## **Overview of performance**

In common with many UK manufacturing businesses, we have been operating during a period of significant inflationary pressures, challenging supply chains and weakening consumer demand. The objective remains to meet our customer expectations and to deliver top line revenue growth whilst also relentlessly focusing on the areas within our control to recover margins following the erosion over the past two years and, matching our overhead costs to revenue and reducing stock levels.

Whilst results show revenue falling to £53.2m (2023: £58.6m), EBITDA has increased to £3.2m (2023: £3.0m) and operating profit before exceptional items has decreased marginally to £1.54m (2023: £1.58m). The operating margin percentage before exceptional items has improved to 2.9% in the year ended 31 March 2024 compared to 2.7% for the year ended 31 March 2023. A significant feature of this has been a gradual improvement throughout the year with margins significantly improved in the second half of the year. This is covered in more detail by Philippa Clark in her report as Managing Director.

Revenue performance across the three revenue streams has been mixed with:

- growth of £1.7m in the Private label revenue,
- decreased revenue through Brands of £1.7m, with some brands underperforming and lower revenue from reducing the tail of underperforming products and
- decreased revenue from contract manufacturing. Most of this reduction arose from our decision to curtail sales to businesses where credit insurance cover was removed, and the group considered it advisable to manage credit risks. Also, two key customers reduced orders due to declining consumer demand and overstocks.

Gross margins have continued to improve throughout the year and by the end of March were ahead of those achieved before they were adversely impacted by the inflationary pressures of the past two years. These improved margins have been achieved through a combination of increased selling prices, removing low margin products from sales mix, product cost engineering and improvements in production efficiencies. We are now seeing an easing of supplier price pressure in most areas although not all.

Overheads have been reduced to ensure they match the underlying activity levels of the Group. Manufacturing operations are now on a single shift basis across both sites. There have also been benefits arising from lower utility costs as wholesale prices have fallen. Warehousing costs have reduced due to the stock reduction programme and relocating most finished goods distribution back in-house. The impact of these changes has been to reduce the breakeven sales level on a month-by-month basis which will enable the business to leverage pre-tax profit growth from existing revenue and future growth. Improved output levels in manufacturing operations are helping to increase capacity.

One area of underperformance relates to the Emma Hardie business which was acquired on 28 July 2021 for a total consideration of £6.2m. The annual review of the value-in-use of the Emma Hardie brand, which considers the ability to generate growth in revenue and a review of the likely cash generation from future revenue, in accordance with the requirements of IAS 36, resulted in an exceptional impairment charge of £4.45m. This non-cash exceptional charge, in the current year, has materially adversely impacted the reported pre-tax profit. The remaining associated intangible brand value of £0.66m reflects an accounting assessment of discounted future cash flows from the Emma Hardie brand, based upon current performance and an estimate of future sales and costs.

This impairment will also result in a derecognition of the goodwill value of £1.28m, relating to the deferred tax associated with the Emma Hardie brand, with consequential adjustments to the deferred tax accrual. The net effect of these is a tax charge of £0.17m.

The underlying profit generation together with the significant reduction in stock levels has resulted in a dramatic improvement in the cash position with net borrowings falling by £4.8m to £0.8m (2023: £5.6m). The Group chose to repay 50% of the outstanding loan balance of the term loan used to partly fund the acquisitions in 2021.

### **Building a team for the future**

Following Bernard Johnson's departure in November 2023, the Board asked the two Executive Directors, Philippa Clark and Martin Stevens to manage the routine operations of the business for an interim period and complete ongoing internal improvement programmes. In addition, they reviewed the Emma Hardie business and integrated it within the Group's operations, significantly reducing the overheads attributable to the brand and further reducing staffing levels to align with planned activity. This allowed the Board time to evaluate the various options for the organisation of the Board and the Senior Management Team. On completion of this review the Board announced the following changes on 7 March 2024.

- Philippa Clark was appointed as Group Managing Director. She will continue to be supported by Martin Stevens in his Executive Director role as Group Deputy Managing Director.
- William McIlroy retired from his Executive roles as Chairman and CEO and will remain on the Board as a Non-Executive Director.

- Paul Forster was appointed Non-Executive Chair of the Board.
- Brian Geary has joined the board as a Non-Executive Director.

I would like to take this opportunity to thank Bernard Johnson for his contribution to the business, which would not be where it is today without his vision and drive. I would also like to thank William McIlroy for his contribution and support over his tenure in his Executive roles and look forward to his support and guidance as I settle into my new role.

I believe the new Board provides a good balance of experience to support the management team as they evolve the strategy to grow the business to meet the needs of stakeholders.

I am pleased to report that Philippa Clark has settled into her role and is being actively supported by Martins Stevens and the other senior Executives. The Executive team, under the leadership of our new Managing Director is actively engaged in developing plans to grow sales, protect and improve margins and leverage our infrastructure to grow pre-tax profits and margins. The Board recognises the importance of maintaining stability and focus as we come out of this transitional period, and our collective efforts are geared towards sustaining and advancing the positive trajectory of our organisation.

## Looking forward

The Group's focus will be to pursue new growth opportunities, growing revenues organically by using our in-depth market knowledge, product development expertise and brand marketing skills to:

- identify new products ranges for our brands and customers.
- extending the distribution of our brands, both within the UK and internationally.
- increase penetration into the private label sector, where we have range launches with two new customers in the coming year.
- targeting contract business where customers' requirements align with our core strengths and flexible manufacturing capabilities.

The Group will continue to invest in the research and development of new brands to address changing market opportunities.

The work of the past year in improving margins, aligning cost to match activity and throughput levels, along with the significant spare capacity available by introducing additional shifts, if required, places the Group in a strong position to generate profits from additional revenue. The Group is generating positive EBITDA and cash flows from its core operations which underlines the ability to generate profitable growth. There are still opportunities to grow revenue and the sales team is being strengthened to deliver those opportunities with a Director of Global Sales (non-statutory Director) joining the group in May 2024.

The Group is committed to recovering our underlying operating profits (before exceptional items) levels, currently standing at 4.0% of revenue in the second half of the year to March 2024, to levels enjoyed in the past.

The Group's dynamic structure continues to give it a competitive advantage allowing it to respond quickly and effectively to customer requirements. It also provides a competitive advantage with post-acquisition integration by providing synergies not available to all market participants. The Group will continue to look for acquisitions for brands that can generate long term growth in revenue, profits and cash generation. However, it will be much more focused on ensuring a good return can be delivered on its investments.

## Dividend

The Board proposes a final dividend of 0.45 pence per ordinary share, subject to approval at the Annual General Meeting (2023: Nil). This is in line with the Directors' intention to reinstate paying dividends and to align future payments with the underlying profits and positive cash flow of the business.

## Conclusion

I would like to take this opportunity to thank every one of the Group's employees who have continued to work together to enable us to deliver an improving trading performance. I would also like to thank our customers, shareholders and suppliers for their support and loyalty to the Group.

## Paul Forster

### Non-Executive Chair of the Board

16 July 2024

## Managing Director's statement

### A Challenging Year

This year's results represent a strong internally focussed strategy to ensure we tackled and conquered the challenges bought on by the tough economic conditions of the past two years, coupled with the ongoing macroeconomic and geopolitical pressures. Therefore, we have ensured that the key business fundamentals have been at the core of our activities during the year to ensure the Group continues to deliver a sustainable and stable business.

The difference in operating performance between H1 and H2 of the year ended 31 March 2024 demonstrate the impact of this focus. Despite the sales downturn in H2 against H1, gross profit margins were up by 1.5% (H1 2024: 42.2%), with full year margin of 42.9% being up 1.3% (2023: 41.6%). Key cost reductions in administration and distribution also provided significant gains in operating performance overall.

	H1 (Unaudited)	H2 (Unaudited)	Year ended 31 March 2024
	£000	£000	£000
Revenue	27,555	25,639	53,194
Gross profit	11,632	11,198	22,830
Gross profit %	42.2%	43.7%	42.9%
Operating profit before exceptional items	506	1,032	1,538
Operating profit before exceptional items %	1.8%	4.0%	2.9%
Exceptional items	-	(1,466)	(1,466)

Exceptional items	-	(7,700)	(7,700)
Finance Costs	(204)	(145)	(349)
EBITDA before exceptional items	1,358	1,881	3,239
Profit / (Loss) before tax	302	(3,579)	(3,277)
Profit / (Loss) after tax	285	(3,812)	(3,527)

Key achievements have been made in margin improvement, overhead and stock reduction, restructuring supply chain and positive cash generation. However, the drive to ensure a strong core business has come at the expense of sales growth in the contract manufacturing division and a softening of growth in our brands where a refocussing of the product portfolio has been a priority to ensure margins are protected and enhanced where possible.

The strategy of pursuing a multi-channel approach to the market and a broad multi-category product offering continues to serve us well during times when consumer demand is impacted by a cost of living crisis.

### Revenue stream performance

#### Private Label

Private label sales have increased sales by 7.9% to £23.7m (2023: £22.0m) as consumers continue to seek performance products at value prices. Creightons continues to be the leading supplier in the UK for private label supply achieved through exceptional product development, quality manufacturing and both consistency and speed of supply. This is evidenced by the fact that the Group has achieved the number one position as a key supplier with a major UK retailer. This is in addition to a good solid performance across the customer base resulting in sales growth.

This position is achieved via the Groups' ability to develop products that deliver relevant, consumer focussed, performance all whilst successfully managing customer forecasts, stock and service levels into a demanding mass retailer customer base.

Margin performance in this area has also delivered through successfully implementing cost price increases to customers but also taking the decision to exit products or ranges which no longer meet our contribution margin requirements.

Category expertise and Research and Development are both key measures of success in this division and these both continue to be a priority for investment.

#### Contract Manufacturing

Conversely, the contract sales have experienced a downturn during the period of 38.9% to £8.4m (2023: £13.8m). In the main this is due to masstige and premium brands either reducing order books due to declining consumer demand and overstocking, or are no longer covered by credit insurance and we have chosen to exit as this is a key requirement in managing our business risk.

#### Brands

Overall Brands have seen a reduction of 7.6% to £21.0m (2023: £22.8m). This decline is due to two key exceptional factors in the year.

1. A £1.8m loss in one international market with Balance Active where a distributor lost significant distribution by diversifying their business too quickly at the expense of the Balance Active brand.
2. The internal decision to discontinue 45% of the brand portfolio product offering from 334 products to 184 products. This accounted for a reduction of £1.1m sales of products that had either poor margin, low sales volumes or a combination of both. This repositioning and focus of the brand offer have had positive impacts on stocks, margin and sales team focus.

Brands have performed where the price point and offer continues to engage the consumer, resulting in gains in both store distribution numbers and new customer listings in a very challenging UK market specifically for Balance Active Formula, TZone, Feather & Down, The Curl Company and the Creightons range of branded products.

- TZone achieved a new key grocery launch in the UK into 135 stores and gained an additional 557 stores in an existing Grocery listing.
- Feather & Down has an additional 341 stores with extra distribution in the UK.
- Balance Active is already listed in a leading UK grocer but has an additional 557 stores with the launch of new product development (NPD) serums from June 2024. A new listing for the brand was also secured in another major UK retailer in the period into 102 stores.
- The Curl Company extended into an additional 100 stores in Scandinavia and launched for the first time into 182 stores in the UAE.
- Creightons Frizz No More launched into a major retailer in Spain as the Group enters the Spanish market for the first time.

Margins are performing well through negotiated customer price increases and product cost engineering initiatives. This is despite a strong discontinuation programme initiated across all brands, exiting products where margins and volume combinations were no longer meeting expectations.

#### Emma Hardie

The gross sales contribution of the brand has been flat this year at £3.2m. The autonomous, independent approach in managing the brand for the past two years has been a factor. In addition, entering the Chinese market has been the dominant strategy and whilst it showed initial signs of positive sales at the end of 2022 and the early part of 2023, this quickly reversed during 2023. The landscape changed significantly during the year in China proving the chosen sales model to be ineffective and unprofitable. A decision to put activities in China on hold was made in December 2023.

The Emma Hardie brand and its team are now fully incorporated into the wider business. This ensures full control of costs, sales strategy and team management. A revised sales strategy is being executed into 2024 including:

- a full review and potential new approach in China
- refocused efforts on digital platforms including The Hut Group, Sephora and Amazon
- investment in EmmaHardie.com
- positioning the brand into the travel sector.

Recent launches on EasyJet inflight in May 2024 and a 6 month trial launch into Luton Airport Duty Free in the summer of 2024 are both being progressed.

The brand continues to perform well in its original retail home at Marks & Spencer (M&S) in the UK, with an increase in end consumer sales of 19% in 2023/2024 against the previous year. This demonstrates continued consumer demand for the brand. Plans are in place during 2024/2025 with M&S for additional investment in the brand including dual siting in key performing stores, pop-up opportunities, in-store events and improved positioning in the beauty hall. All with the objective of giving more exposure to the brand and engaging more consumers.

#### Digital and Social

This year has seen an increase in our efforts with both digital and social platforms.

Feather & Down and Emma Hardie total brand sales both have considerable contributions from digital sales at 48% and 52% respectively of their total brand sales. This includes Amazon Vendor UK and the pure beauty platform players.

- A key distribution channel for brands which have higher price points and more limited bricks and mortar distribution.
- Two higher price point brands, Emma Hardie and Janina, have recently been transferred to Amazon Seller UK with initial positive results on both sales and margin - improving from the original listings on Amazon Vendor.
- Feather & Down and Emma Hardie launches onto Amazon Germany and Amazon USA which have taken longer than originally planned due to unanticipated protracted set up issues with Amazon. It is anticipated that the growth in these new markets will be slow and steady initially as brand awareness campaigns in these new markets also need to be activated.
- Social activities are live and growing across all key platforms such as Instagram, Facebook and TikTok with a focus on Balance Active, TZone, Feather & Down and Emma Hardie.
- TikTok shop strategies are being implemented for select brands during 2024.

## **Research and Development**

As we continue to develop the business, the nature of the research and development (R&D) has become more sophisticated, including additional time and investment in trend monitoring, consumer research, consumer testing, independent validation and claims substantiation.

These activities have continued throughout the year ended 31 March 2024 to expand our portfolio of product offering and capabilities, with key areas of focus being the development of unique and technically challenging formulations across Facial and Body Skincare. This requires a constant monitoring of key trend materials to ensure that we are meeting the consumers evolving needs and delivering new product development quickly and efficaciously.

Looking forward, the team continue to invest time and resource into exploring new categories and technologies. As highlighted last year, the importance of SPF in the skincare and suncare categories is a key growth area of the sector. We are continuing to invest in delivering futureproofed SPF formulations, delivering high UV protection in formats that offer improved performance and product aesthetics. Textures have also become key in this category requiring additional R&D development. This work and investment will be an ongoing and continuing piece of investment over the coming years.

A continuing and critical role of our R&D team is responding to the challenges of increasing raw material costs and availability. Therefore, cost mitigation through resourcing and finding alternative materials in conjunction with our procurement team, is a necessary activity that requires significant lab time to validate alternatives to help avoid excessive cost increases and maintain margins.

One of the drivers of growth in the Private Label division is extending into new categories. As highlighted, this would include SPF skincare and the Sun Protection category. Other categories including non-licensed Healthcare and Sexual Health products and new developments in skincare including products supporting the skin's microbiome, probiotics and fermented ingredients. Continual developments in new formats and textures are also a key development area. This work also benefits new product development (NPD) and development of our brands.

## **Manufacturing and Operations**

Operationally one of the key goals has been to reduce warehousing costs. By reducing stock and improving the management of space this goal has been achieved. The benefit being the considerable reduction on relying on a 3PL solution. Maximising procurement savings and reducing overheads have been equally important. The team continue to reduce buying costs of both packaging and key materials and we have succeeded in reducing our cost base to be in line with our revenue footprint.

The key drivers in the period in manufacturing have been centred around improving efficiencies to realise maximum benefit from reducing to one-shift last year. Targeted machinery investments, improved training programmes of key production staff and working towards improving change-over times are all contributing positively to achieving improved outputs and efficiencies.

There is more work to be done in all areas as we move into the coming year and the team remain determined in ensuring gains continue to be made.

## **The Future and Our Strategy**

A continual review of the market, our customers strategies, category and product opportunities coupled with our experience and knowledge is undertaken throughout the year in order to ensure that our key strategic objectives are relevant and achievable. These are reviewed and monitored with the main board and senior team to ensure consistency in approach. The goal is to deliver a consistent, stable business that delivers increasing value for all stakeholders.

#### **Develop and Cultivate the Core Private Label Business**

- Retain the dominant position in UK supply.
- Focus on margin positive products.
- Work with the best in class retailers.
- Ensure Research and Development (R&D) category development drives new sales opportunities.

#### **Build and Develop the Groups' Brands**

- Expand UK distribution footprint - there are additional distribution gains to be had.
- Invest in additional resource to grow and expand international markets.
- Ensure Brands fill the 'white space' where possible and the propositions are clear.
- Ensure Brands have clear customer need states.

#### **Expand with New Brands - Developed or acquired**

- Where the fit is right and adds value to the Group's total Brand portfolio.
- Where the opportunity and positioning fill the 'white space' or unfulfilled consumer need.
- Where the sales and margin enhancement deliver additional business value.

#### **Build on Digital Platform Brand Sales**

- Ongoing development of Amazon Vendor and Amazon Seller including developing selected international markets.
- Investment into our own .com sites where the brand positioning will succeed.
- Grow relationships with key pure beauty players where the brand fit makes sense.

#### **Investment in Research and Development (R&D) and Product Category Expertise**

- Essential for growing the Private Label business by entering new product types and related categories.
- Speed to Market focus.
- Meeting and anticipating consumer needs - for both Brand and Private Label divisions.
- Remain at the cutting edge of trend, ingredients, product textures and formats.
- Evaluation of materials with low carbon footprint for more sustainable products.

#### **Focus on Operational Efficiencies & Cost Control**

- Output and capacity focussed capital investment.
- Structured training programmes throughout the operational functions.
- Continual review of ensuring our cost footprint fits our sales and profit profiles.
- Review the manufacturing strategy and utilise IT to enhance our productivity and manufacturing investments.
- Ensure the Group's costs and asset base match demand, environmental and safety requirements.

#### **Meet Environmental and Sustainable Targets**

- The business has committed to SBTi validated emissions reduction targets. Please see further detail outlined in the TCFD report per page 24 to 32 of the full accounts.
- Scope 1 and 2 emissions will reduce by 42% and Scope 3 emissions by 25% by 2030.
- For FY23/24 we have seen a decrease in scope 1 and 2 emissions of 7.8%.
- We have just completed the tenth year of holding the RSPO supply chain accreditation.
- Now sourcing 99.9% of our palm derivatives from RSPO sustainable sources.
- For FY23/24 the amount of recycled plastic in our packaging has increased by 5.3% to 203.9 tonnes.
- We will be completing the climate related module for CDP in FY24/25.

#### **Summary**

Despite a challenging year the Group's strong focused strategy on ensuring the business continues to successfully navigate market pressures and challenges is beginning to produce positive results. We have been determined in our efforts in delivering operational profitability, positive cash generation and reducing the overall cost base to be in line

with our revenue performance. The result for the second half of the year provides evidence that we are on the right track.

The Board believes that the restructured management team, ongoing positive customer relationships and strong business fundamentals will enable the Group to proactively manage new challenges and take advantage of any new opportunities that may arise.

The Management Team remains focussed on delivering the Group's strategic and financial aims. Immediate priorities include increasing the awareness and distribution of our brands, accelerating organic sales in all divisions, nurturing customer relationships and keeping R&D central to driving the business forward.

Finally, I would like to thank our valued team of employees, customers, suppliers and all stakeholders, especially those who have responded so positively through this challenging period.

**Philippa Clark**  
**Managing Director**

## Financial Report

### Overview of Financial performance

The Group has exhibited significant improvements in its operating performance. Despite a reduction in revenue year on year of 9.2% operating profit margin before exceptional costs increased to 2.9% (2023: 2.7%). The decrease in sales activity has been due to a combination of factors, these include, but are not limited to, a challenging market within the Contract and Branded sales divisions as well as the Group's own decision to divest from non-profitable product offerings that do not achieve a commercially viable contribution margin.

	Year ended 31 March 2024	Year ended 31 March 2023
	£000	£000
Revenue	53,194	58,567
Gross profit	22,830	24,348
Gross profit %	42.9%	41.6%
Operating profit before exceptional items	1,538	1,584
Operating profit margin % before exceptional items	2.9%	2.7%
Exceptional items	(4,466)	(477)
Finance Costs	(349)	(420)
(Loss) / Profit before tax	(3,277)	687
(Loss) / Profit after tax	(3,527)	514
EBITDA	3,239	3,001
Adjusted Diluted EPS - excluding exceptional items	1.42 pence	1.05 pence
Cash and cash equivalents	3,138	1,653
Inventories	8,225	10,228

The on-going challenging macro-economic environment, within which the business operates, resulted in inflationary pressures across the cost of labour, raw materials, componentry, and commodity prices. This had the impact of eroding Gross profit margins. The Group has responded well to managing these external pressures by adopting processes to monitor Cost Price Increase (C.P.I) across all categories of supply. This allowed the Group to be proactive and combat areas of eroding margins. Actions taken included product re-engineering, re-formulating, and increasing customer selling prices. The impact of this has led to the Group improving its Gross profit margin by 1.3% to 42.9% (2023: 41.6%).

As the sales activity and in turn the manufacturing output across the Group has reduced year on year, the Group has had to implement a strategy of cost rationalisation to allow it to re-align its overhead base with the current level of activity. This had the impact of reducing direct and in-direct labour costs, administrative expenses and warehousing and distributions costs. Manufacturing efficiencies have also aided with the streamlining of both cost of sales and overhead costs. As a result of this, the operating profit before exceptional items decreased marginally £0.1m from the previous year despite a revenue reduction of £5.4m.

As a direct result of the strong operating performance, the business has been able to generate £3.2m of EBITDA (before exceptional items - Impairment) in the year to March 2024 (2023: £3.0m). This has equated to an increase in



cash generated from operating activities by £0.2m to £6.1m from £5.9m. The Group has utilised the cash to reduce its debt exposure with net gearing reducing by 18.6% to 3.5% (2023: 22.1%). Net cash on hand has increased by £3.4m to positive £2.2m (2023: negative £1.2m). Please refer to the section on Key Performance Indicators on page 17 of the full accounts where they are defined.

## Revenue

Overall Group sales were £53.2m for the year ended March 2024 (2023: £58.6m) a reduction of £5.4m.

The sales generated by each revenue stream are;

	2024	2023	Movement
	£000's	£000's	
Branded products	21,020	22,757	Decrease of 7.6%
Private label	23,727	21,997	Increase of 7.9%
Contract manufacturing	8,431	13,795	Decrease of 38.9%
Other	16	18	Decrease of 11.1%
<b>Total</b>	<b>53,194</b>	<b>58,567</b>	Decrease of 9.2%

Please refer to the Managing Director's statement on Revenue movements.

## Margin and cost of sales

The Group implemented systems and processes to monitor Cost Price Increase (C.P.I) across all categories of supply. These included but were not limited to; plastics, raw materials, energy, wage inflation and transport (global and domestic) costs. Gross margin was 42.9% for the year ended 31 March 2024 (2023: 41.6%). Gross margin has improved in the second half of the year to 43.7%, compared to the first half 42.2% due to proactive measures taken by management in the areas of customer price increases, cost mitigation and product re-engineering and reduced labour costs due to shift rationalisation and efficiency improvements. Additionally, the business has reviewed its product portfolio and ensured SKU's not achieving the desired level of contribution margin were exited.

## Distribution costs and Administrative expenses

Distribution costs have decreased by 10.6% to £3.5m (2023: £3.9m) at a faster rate than the reduction in revenue. This is due to a combination of factors, primarily as a result of the reduction in manufacturing volumes and complimented by the decision to exit third-party logistics providers and bringing picking and packing of finished goods in house. Underlying net costs associated with outsourcing the warehousing and third-party storage have decreased by £0.4m year on year. A phased approach was undertaken to ensure consistency of supply and service levels with the majority of the savings being realised in the second half of the year. This has had a positive impact on both costs and the efficiencies of the business going forward.

Administrative expenses have decreased by 5.6% to £17.8m in the year (2023: £18.9m). The reduction in costs have largely been driven by a combination of cost rationalisation and reduced business activity. Manufacturing efficiencies have been enhanced whilst not compromising on customer delivery. The efficient utilisation of the factory along with the decrease in units sold has meant that utility costs have reduced by £0.3m to £0.7m (2023: £1.0m). Overhead savings have been achieved across most cost headings including indirect payroll. A huge driver of the decrease in overheads was the full year impact of the decision made to move to a single shift. This has not had an impact on the output of the factory and thus has not impacted on the ability to meet customer demand.

## Operating profit before exceptional costs

Operating profit before exceptional costs was marginally reduced year on year to £1.5m (2023: £1.6m). The small reduction is a direct result of the improvement in the gross profit margin despite the decline in revenue. Strategic sales price increases that balance competitiveness with profitability have positively impacted the operating profit margin. Customer price increases have improved the gross profit margin. Additionally, the Group has been efficient in the management of its operating costs relative to its revenue. As a result, a greater percentage of revenue is translated into profit after covering operating expenses. Operating profit margin before exceptional costs increased to 2.9% (2023: 2.7%).

## Exceptional items

Redundancy costs of £0.02m have been incurred in the year to March 2024. In the previous year, redundancy costs incurred of £0.17m were in respect of the closure of the second shift at Peterborough.

As reported in September 2022 there was an additional charge in respect of the acquisition of the Emma Hardie business should the Company's share price fail to attain £1.25 on the first anniversary of the sale. The excess over the amount paid at 31 March 2022 amounted to £0.31m and was treated as an exceptional cost in the year to March 2023. No additional costs in relation to this have been incurred in the year to March 2024.

As required by IAS 36, the Group reassesses its capitalised intangible assets for impairment on an annual basis. Following the difficult trading years of the Emma Hardie subsidiary, management have assessed that the brand value acquired on acquisition in relation to Emma Hardie has been impaired by £4.4m. This is shown as a separate line item in the Consolidated profit and loss account as it is an expense that is not in line with the normal trading operations of the Group. The impact of this impairment is not cash impacting and is an entry that reduces the intangible assets (Brand value for Emma Hardie) on the balance sheet with a corresponding entry in the Consolidated income statement. The associated goodwill and deferred tax liability was derecognised from the balance sheet. Please refer to notes 3, 8, 13 and note 14 of the full accounts.

#### **EBITDA before exceptional items**

The Group has generated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of £3.2m (2023: £3.0m). This represents an increase of £0.2m despite lower revenue achieved in the year to March 2024.

#### **Tax**

The Group has a corporation tax charge of £0.3m (2023: £0.2m). The Group finalised an over provision of the tax charge in the previous year in relation to an under provision of the enhanced R&D relief.

#### **(Loss) / Profit after tax**

The Group reported a loss after tax of £3.5m for the year ended 31 March 2024 (2023: Profit £0.5m).

#### **Earnings per share**

The diluted earnings per share decreased to negative 5.15p (2023: positive 0.65p). Share options are excluded from the earnings per share calculation in the consolidated income statement due to their anti-dilutive effect on the loss after tax attributable to equity holders. The EPS has been adversely impacted by the reduction in profit after tax including the exceptional costs of £4.4m (2023: £0.5m). The main exceptional item in the current year pertaining to the brand impairment of Emma Hardie is a non-cash impacting item. Adjusted diluted earnings per share excluding exceptional items for the year were positive 1.42p (2023: 1.05p).

#### **Research and development**

The Group undertakes significant research and development (R&D) 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 £753,000 (2023: £923,000).

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.

#### **Cash on hand and working capital**

Net cash on hand (cash and cash equivalents less short-term element of obligations under finance leases and borrowings) is positive £2.2m (2023: negative £1.2m). The improvement in cash of £3.4m year on year is mainly attributable to continued improvements in profit from operations, reduction in inventory and working capital.

#### **Stock**

Stock reductions of £2.0m were achieved during the year to March 2024. This was achieved by a targeted reduction in purchasing quantities and manufacturing batch sizes to reduce stock holding on both raw materials and finished goods. The reduction in stock levels was a key factor in enabling the transfer of finished goods from third-party warehousing to the main site in Peterborough.

### **Return on Capital Employed**

The small increase in operating profit before exceptional items coupled with the decrease in net equity and the substantial reduction in borrowings has improved return on capital employed by 1.6% from 4.3% to 5.9% (see page 17 of the full accounts). This is in line with the Group's objective to provide a stable base for growth. The Group continues to look for opportunities to invest in brands that will help drive faster growth in profits.

### **Net gearing**

With the increase in cash generation and reduction in cash outflow the business was able to utilise the cash generated to improve its liquidity by reducing its reliance on short term borrowings. Additionally, the Group has reduced its gearing by making an overpayment in March 2024 to pay down half of the term loan outstanding at the year end. The Net gearing of 3.5% (2023: 22.1%) has decreased by 18.6 percentage points in the year.

### **Dividend**

The Director's propose a final dividend for the year ended 31 March 2024 of 0.45 pence per ordinary share (2023: nil). The Group has exhibited strong operational performance and generated cash which in turn has improved the Group's liquidity and reduced its gearing. 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 in the year ended 31 March 2024 was nil (2023: nil) per ordinary share.

### **Directors' responsibilities statement**

The Directors whose names and functions are set out on page 112 of the full accounts 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 112 of the full accounts confirm that to the best of their knowledge:

1. the parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
2. the group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
3. the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that they face; and
4. the report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

## **Principal risks and uncertainties**

The Board regularly monitors exposure to key risks, such as those related to production efficiencies, cash position and competitive position relating to sales. It has also taken account of the risks facing the business from the challenging economic environment including inflationary pressures, higher interest rates and their impact on consumer demand. Further details of mitigating measures taken by management are set out on page 2 of the full accounts.

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, 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 of the full accounts.

At 31 March 2024 the invoicing financing is in a surplus position of £6,100 as the facility is not being utilised. The operations have generated sufficient cash to improve its liquidity. In the year to 31 March 2023 the facility was utilised to fund the activities during the year (2023: £1,557,000). At 31 March 2024 the Group has utilised its overdraft facility by £37,000 (2023: £26,000). Further details are set out in note 21 in relation to cashflow and liquidity risk of the full accounts.

## **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. All customers are credit insured or pay on proforma basis before supply.

## **Quality and Safety**

The Group treats quality as its key requirement for all products and strives to deliver performance 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

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.

### **Global economic environment**

The cost-of-living crisis in the U.K. continues to abate consumer demand. The Group strategy of pursuing a multi-channel approach to the market and a broad multi-category product offering continues to serve us well during times when consumer demand is impacted by a cost-of-living crisis.

The BOE base interest rates have increased by 1.25% to 5.25% in response to inflationary pressures. This has had a negative impact on consumer demand and the viability of many businesses. The rate of increase in commodities has eased in the second half of the current financial year but core domestic inflation and the prospect of prolonged higher interest rates remains a cause for concern. The rate of domestic inflation has reduced but not to the levels expected which has meant the BOE have held their base rate. Please see note 21 of the full accounts for impact of interest sensitivity on our current level of gearing.

The global supply chain continues to be impacted by the war in Ukraine and the Red Sea issues due to the ongoing conflict in the Middle East. The cost of importation of goods has increased as well as delivery lead times. These continue to be closely managed by working collaboratively with our supply base.

The Group monitors C.P.I's across all categories of supply. Mitigation measures included product re-engineering, re-formulating, and increasing customer selling prices where appropriate.

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. In the face of these challenges the focus of the business will be on positive cash generation and restoration of profitability.

### **Credit risk**

Our credit risk is that our customers are unable to pay, and we believe this risk is elevated currently due to the 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. We remain vigilant to the credit risks in light of the challenging economic environment.

### **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. The pressure on global supply chains has eased but there remains uncertainty around future commodity pricing. We continue to work closely with suppliers and have used our improved sourcing capabilities to expand our supply base to ensure that we can meet the demand from our existing and new customers and minimise the impact of cost price increases. We have an ongoing dialogue and communication with our customers to mitigate the impact on the business.

### **Environmental protection standards and sustainability**

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

The Group's objective is to keep ahead of the move towards more sustainable products and processes. There is a risk

that if we do not take action we will be left behind and unable to meet our customers' requirements. However, the Group sees the move towards sustainability as an opportunity for business growth.

## Cyber security

Cyber Security remains a significant threat to all businesses. The Group is exposed to the risk of sophisticated cyber-attacks aimed at causing direct financial loss from theft of funds, ransom payments, and costs associated with system recovery and data restoration. Such attacks also lead to business interruption, causing lost productivity and revenue. There is also a heightened risk of theft and encryption of confidential data for financial gain and reputational damage.

The Group has continued to invest 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. The Group has an insurance policy in place to minimise its exposure to cybercrime.

## Consolidated income statement

		Year ended 31 March 2024	Year ended 31 March 2023
		£000	£000
Revenue		53,194	58,567
Cost of sales		(30,364)	(34,219)
Gross profit		22,830	24,348
Distribution costs		(3,488)	(3,902)
Administrative expenses		(17,804)	(18,862)
Operating profit before exceptional items		1,538	1,584
Exceptional items - Redundancy costs		(17)	(165)
Exceptional items - Impairment		(4,449)	-
Operating profit		(2,928)	1,419
Exceptional items - Acquisition costs		-	(312)
Finance costs		(349)	(420)
Profit before tax		(3,277)	687
Taxation		(250)	(173)
(Loss) / Profit for the year attributable to the equity shareholders		(3,527)	514

## Consolidated statement of comprehensive income

		Year ended 31 March 2024	Year ended 31 March 2023
		£000	£000
(Loss) / Profit for the year		(3,527)	514
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations		13	(9)
Other comprehensive income for the year		13	(9)
Total comprehensive income for the year attributable to the equity shareholders		(3,514)	505

## Earnings per share

		Year ended 31 March 2024	Year ended 31 March 2023
	Note		
Basic	5	(5.15p)	0.74p
Diluted *	5	(5.15p)	0.65p

\* Share options are excluded from the earnings per share calculation for the year ended 31 March 2024 due to their anti-dilutive effect on the loss after tax attributable to equity holders.

## Adjusted Earnings per share - alternate performance measure

The following calculation of the basic and diluted earnings per share excluding exceptional items has been calculated based on adding back the following deductions from (loss) / profit after tax:

		Year ended 31-Mar 2024 £000	Year ended 31-Mar 2023 £000
(Loss) / Profit for the period from operations attributable to the equity shareholders of the parent Company		(3,527)	514
Exceptional items - Impairment		4,449	-
Exceptional items - Deferred tax charge not previously recognised		165	-
Exceptional items - Acquisition costs (disallowed for tax provision)		-	312
Adjusted Earnings excluding exceptional items		1,087	826

Adjusted Basic earnings per share - excluding exceptional items		1.59p	1.19p
Adjusted Diluted earnings per share - excluding exceptional items		1.42p	1.05p

#### Dividends

	Year ended 31-Mar 2024 £000	Year ended 31-Mar 2023 £000
Final dividend paid - £Nil (2023: £Nil) per share	-	-
Interim dividend paid - £Nil (2023: £Nil) per share	-	-
Total dividend paid in year - £Nil (2023: £Nil) per share	-	-
Proposed - 0.45 pence (2023: Nil) per share	315	-

#### Consolidated balance sheet

		31 March 2024 £000	31 March 2023 £000
	Note		
<b>Non-current assets</b>			
Goodwill		1,575	2,857
Other intangible assets		6,374	10,894
Property, plant and equipment		5,219	5,890
Right-of-use assets		1,093	1,285
		<b>14,261</b>	<b>20,926</b>
<b>Current assets</b>			
Inventories		8,225	10,228
Trade and other receivables		10,518	12,733
Cash and cash equivalents		3,138	1,653
		<b>21,881</b>	<b>24,614</b>
<b>Total assets</b>		<b>36,142</b>	<b>45,540</b>
<b>Current liabilities</b>			
Trade and other payables		8,265	9,836
Corporation tax payable		105	3
Lease liabilities		351	373
Borrowings		620	2,502
		<b>9,341</b>	<b>12,714</b>
<b>Net current assets</b>		<b>12,540</b>	<b>11,900</b>
<b>Non-current liabilities</b>			
Deferred tax liability		1,798	2,942
Lease liabilities		633	917
Borrowings		2,315	3,488
		<b>4,746</b>	<b>7,347</b>
<b>Total liabilities</b>		<b>14,087</b>	<b>20,061</b>
<b>Net assets</b>		<b>22,055</b>	<b>25,479</b>
<b>Equity</b>			
Share capital		700	700
Share premium account		2,024	2,022
Merger reserve		2,476	2,476
Treasury shares		(576)	(576)
Other reserves		(211)	(211)
Translation reserve		27	14

Translation reserve		21	17
Retained earnings		17,615	21,054
<b>Total equity attributable to the equity shareholders of the parent Company</b>		<b>22,055</b>	<b>25,479</b>

#### Consolidated statement of changes in equity

	Share capital (note 6)	Share premium account	Merger reserve	Treasury Shares	Other reserves	Translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2022	697	1,951	2,476	-	(211)	23	20,742	25,678
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	-	514	514
Exchange differences on translation of foreign operations	-	-	-	-	-	(9)	-	(9)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(9)	514	505
<b>Contributions by and distributions to owners</b>								
Exercise of options	3	71	-	-	-	-	-	74
Purchase of own shares	-	-	-	(576)	-	-	-	(576)
Share-based payment charge	-	-	-	-	-	-	101	101
Deferred tax through Equity	-	-	-	-	-	-	(303)	(303)
<b>Total contributions by and distributions to owners</b>	<b>3</b>	<b>71</b>	<b>-</b>	<b>(576)</b>	<b>-</b>	<b>-</b>	<b>(202)</b>	<b>(704)</b>
<b>At 31 March 2023</b>	<b>700</b>	<b>2,022</b>	<b>2,476</b>	<b>(576)</b>	<b>(211)</b>	<b>14</b>	<b>21,054</b>	<b>25,479</b>
<b>Comprehensive income for the year</b>								
Loss for the year	-	-	-	-	-	-	(3,527)	(3,527)
Exchange differences on translation of foreign operations	-	-	-	-	-	13	-	13
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	13	(3,527)	(3,514)
<b>Contributions by and distributions to owners</b>								
Exercise of options	-	2	-	-	-	-	-	2
Share-based payment charge	-	-	-	-	-	-	111	111
Deferred tax through Equity	-	-	-	-	-	-	(23)	(23)
<b>Total contributions by and distributions to owners</b>	-	2	-	-	-	-	88	90
<b>At 31 March 2024</b>	<b>700</b>	<b>2,024</b>	<b>2,476</b>	<b>(576)</b>	<b>(211)</b>	<b>27</b>	<b>17,615</b>	<b>22,055</b>

#### Consolidated cash flow statement

		Year ended 31 March 2024	Year ended 31 March 2023
	Note	£000	£000
<b>Profit from operations including redundancy costs</b>		<b>1,521</b>	<b>1,419</b>
Adjustments for:			
Depreciation on property, plant and equipment		992	1,000
Depreciation on right of use assets		368	294
Amortisation of intangible assets		358	288



Loss/(Profit) on disposal of Right of Use assets		59	34
Share based payment charge		111	101
		<b>3,409</b>	<b>3,136</b>
Decrease in inventories		2,003	2,250
Decrease in trade and other receivables		2,215	776
(Decrease) in trade and other payables		(1,570)	(288)
<b>Cash generated from operations</b>		<b>6,057</b>	<b>5,874</b>
Taxation paid		(30)	(62)
<b>Net cash generated from operating activities</b>		<b>6,027</b>	<b>5,812</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(321)	(825)
Purchase of intangible assets		(287)	(315)
Acquisition of Brodie & Stone		-	(75)
Acquisition of Emma Hardie		-	(1,424)
<b>Net cash used in investing activities</b>		<b>(608)</b>	<b>(2,639)</b>
<b>Financing activities</b>			
Proceeds on issue of shares		2	74
Cancellation of leases		(59)	(35)
Principal paid on lease liabilities		(568)	(436)
Utilisation of invoice financing facilities		-	290
Repayment of invoice financing facilities	7	(1,557)	-
Repayment of amounts borrowed	7	(61)	(600)
Repayment on term loan	7	(1,329)	(816)
Interest paid on term loan	7	(123)	-
Repayment on mortgage loan facility	7	(180)	(252)
Interest paid on mortgage loan facility	7	(72)	-
Purchase of shares - Share buy back		-	(576)
<b>Net cash generated (used in) financing activities</b>		<b>(3,947)</b>	<b>(2,351)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,472</b>	<b>822</b>
Cash and cash equivalents at start of year		<b>1,653</b>	840
Effect of foreign exchange rate changes		13	(9)
<b>Cash and cash equivalents at end of year</b>		<b>3,138</b>	<b>1,653</b>

## Notes to preliminary announcement

### 1. Significant accounting policies

#### Basis of accounting

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

The IFRSs applied in the Group financial statements are subject to ongoing amendment by the IASB and therefore subject to possible change in the future. Further standards and interpretations may be issued that will be applicable for financial years beginning on or after 1 April 2024 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.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

#### Adoption of new and revised accounting standards

None of the standards adopted during the year had a material impact on the Group's financial statements for the year ended 31 March 2024.

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.

## **2. Financial instruments and treasury risk management**

### **Market risk**

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

Market risk for the 31 March 2024 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 2024 all trade debtors (2023: 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 of the full accounts.

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

All trade debtors are credit insured, therefore the maximum write off balance on any customer default would be 10% of the invoiced value (net of VAT).

### **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, 10.5 years remaining, secured on the property with an interest rate of 3.04% fixed for the first 10 years, 5.5 years remaining, of the loan, therefore reducing the interest rate risk. The interest charge on the mortgage for the year ended 31 March 2024 was £72,000 (2023: £77,000).

On 3 September 2021, the Group took out a term loan of £3,000,000 to fund part of the purchase of the acquisitions in the prior 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 2024 was £123,000 (2023: £111,000). A 1% increase in the interest rate would have resulted in an additional charge of £41,000 (2023: £22,000).

### **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 £36,000 (2023: £114,000). A 1% decrease would have the opposite effect. The Group's sensitivity to interest rates has changed during the current year due to the current economic climate, which has had the impact of increasing BOE base rates.

### 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 1% (2023: 0%) of the Group's income is denominated in US dollars and 4% (2023: 2%) in Euros. Approximately 7% (2023: 4%) of the Group's expenditure is denominated in US dollars and 8% (2023: 4%) in Euros.

### Foreign currency sensitivity

A 5% strengthening of sterling would result in a £258,000 (2023: £145,000) increase in profits and equity. A 5% weakening in sterling would result in a £285,000 (2023: £161,000) 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 2024 or 31 March 2023.

### 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 2024 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 2024 the Group had available £5,616,000 (2023: £4,327,000) 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 5.5 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 prior year. The term loan is for a 4 year term secured on the assets of the Group with an interest rate of 2.70% above the Bank of England base rate.

## 3. Financial assets

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

	Group	
	2024	2023
	£000	£000
Trade and other receivables	10,172	12,220
Cash and cash equivalents	3,138	1,653
<b>Total</b>	<b>13,310</b>	<b>13,873</b>

## 4. Financial liabilities

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

At 31 March 2024

	Group				
	Less	Between	Between	Over 5	Total

	than 6 months	6 months and 1 year	1 and 5 years	years	
	£000	£000	£000	£000	£'000
Trade payables	4,976	-	-	-	4,976
Accruals	2,235	-	-	-	2,235
Obligations under leases	182	169	633	-	984
Overdraft and invoice financing	37	-	-	-	37
Loan	286	297	1,017	1,298	2,898
<b>Total</b>	<b>7,716</b>	<b>466</b>	<b>1,650</b>	<b>1,298</b>	<b>11,130</b>

At 31 March 2023

	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	5,974	-	-	-	5,974
Accruals	2,723	-	-	-	2,723
Obligations under leases	194	179	874	43	1,290
Overdraft and invoice financing	1,583	-	-	-	1,583
Loan	453	466	1,977	1,511	4,407
<b>Total</b>	<b>10,927</b>	<b>645</b>	<b>2,851</b>	<b>1,554</b>	<b>15,977</b>

## 5. Earnings per share

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

	Year ended 31-Mar	Year ended 31-Mar
	2024	2023
	£000	£000
<b>Earnings</b>		
(Loss) / profit attributable to the equity holders of the parent Company	(3,527)	514

	Year ended 31-Mar	Year ended 31-Mar
	2024	2023
	Number	Number
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	68,433,858	69,166,461
Effect of dilutive potential ordinary shares relating to share options *	8,310,548	9,534,475
Weighted average number of ordinary shares for the purposes of Adjusted Earnings per share (2023: for the purpose of Diluted Earnings per share)	76,744,406	78,700,936

Basic earnings per share - including exceptional items	(5.15p)	0.74p
Diluted earnings per share - including exceptional items *	(5.15p)	0.65p

\* Share options are excluded from the earnings per share calculation for the year ended 31 March 2024 due to their anti-dilutive effect on the loss after tax attributable to equity holders.

## Adjusted Earnings per share - alternate performance measure

The following calculation of the basic and diluted earnings per share excluding exceptional items has been calculated based on adding back the following deductions from (loss) / profit after tax:

	Year ended 31-Mar	Year ended 31-Mar
	2024	2023
	£000	£000
(Loss) / Profit for the period from operations attributable to the equity shareholders of the parent Company	(3,527)	514
Exceptional items - Impairment	4,449	-
Exceptional items - Deferred tax charge in relation to the Impairment	165	-
Exceptional items - Acquisition costs (disallowed for tax provision)	-	312
Adjusted Earnings excluding exceptional items	1,087	826

Adjusted Basic earnings per share - excluding exceptional items	1.59p	1.19p
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## 6. Share capital

	Ordinary shares of 1p each	
	£000	Number
At 1 April 2022	697	69,756,183
Issued in the year	3	273,400
At 31 March 2023	700	70,029,583
Issued in the year	0	5,800
At 31 March 2024	700	70,035,383

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 £2,000 (2023: £74,000).

During the prior year, the Company agreed a buy back of 1,600,000 Consideration Shares for an aggregate consideration of £576,000. The consideration was based on the price of 36p per ordinary share being the on-market price at the time of the transaction. All purchases are for the purpose of the finalisation of the Emma Hardie acquisition.

## 7. Notes to cash flow statement

### Analysis of changes in net debt

	Overdraft	Invoice Financing	Mortgage	Loan	Total
	£000	£000	£000	£000	£000
At 1 April 2023	26	1,557	2,467	1,940	5,990
Cash outflow - principal	(61)	(1,557)	(180)	(1,329)	(3,127)
Cash outflow - interest	-	-	(72)	(123)	(195)
Interest accruing	72	-	72	123	267
At 31 March 2024	37	-	2,287	611	2,935

	Overdraft	Invoice Financing	Mortgage	Loan	Total
	£000	£000	£000	£000	£000
At 1 April 2022	495	1,267	2,642	2,645	7,049
Cash flows	(600)	290	(252)	(816)	(1,378)
Interest accruing	131	-	77	111	319
At 31 March 2023	26	1,557	2,467	1,940	5,990

## 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 2024 or 2023, but is derived from these financial statements. The financial statements for the year ended 31 March 2023 have been delivered to the Registrar of Companies. The financial statements for the year ended 31 March 2024 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 2024 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 2024 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](http://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 2024 will be uploaded to the National Storage Mechanism and will be available for viewing shortly at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

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 28 August 2024 at 12:00 noon.

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