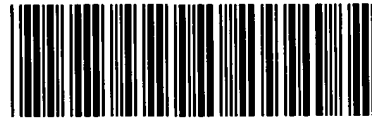


**Creightons Plc Annual Report 2023**

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# Creightons Plc Annual Report 2023

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# Creightons Plc Annual Report 2023

## Financial highlights

- Significantly improved performance for the second half of the year due to remedial actions taken by management with operating profit (before exceptional items) increasing from £0.3m in the first half to £1.3m in the second half. Full year operating profit (before exceptional items) of £1.6m.
- Cash generated from operating activities has increased from £1.4m in the first half of the year to £4.5m in the second half of the year. Full year cash from operating activities generated of £5.9m.
- Balance sheet remains strong with Group net assets at the balance sheet date of £25.5m (2022: £25.7m).
- Revenue for the year was £58.6m (2022: £61.2m), a reduction of 4.2%.
- EBITDA for the year was £3.0m (2022: £5.9m).
- Operating profit decreased by 67.5% to £1.4m (2022: £4.4m).
- Operating profit margin of 2.4% (2022: 7.1%).
- A tax charge of £0.2m (2022: £0.3m) equates to an effective tax rate of 25.2% (2022: 10.0%).
- The profit after tax for the year has decreased by £2.6m to £0.5m (2022: £3.1m).
- The profit reduction together with the issue of shares has reduced the fully diluted earnings per share to 0.65p (2022: 3.98p).
- Net cash on hand (cash and cash equivalents less short-term element of obligations under finance leases and borrowings) is negative £1.2m (2022: negative £2.1m).
- The Directors do not propose a final dividend for the year ended 31 March 2023 (2022: £Nil).

## Operational highlights

- Sales growth momentum has been maintained in the branded and export business despite the economic downturn:
  - Overall branded sales have increased by 11.7% to £22.8m.
  - Sales of retailer own label products decreased by 11.7% to £22.0m.
  - Contract manufacturing sales decreased by 13.1% to £13.8m.
  - Total overseas sales have increased by 5.6% to £10.6m
- Integration of previous year acquisitions is substantially completed with the full benefits emerging in the new financial year.
- The Group has responded proactively to the unprecedented challenges facing the business due to supply chain constraints, higher commodity, and energy prices. The remedial measures were intended to restore profitability, reduce costs and inventory and to return to positive cash flow. Specifically, actions were taken in the following six areas:
  - Increase in selling prices to our customers
  - Reduction in overheads
  - Increase efficiency and capacity in each factory so as to maximise the benefit of single shift working
  - Relocating the customer facing side of the business, warehousing, picking packing and logistics back to the Peterborough site
  - Reduction in stock levels, targeting £2m reduction v previous year
  - New and non-critical capital expenditure cancelled unless payback less than 9 months

The combined effect of these measures, carried out in the second half of the year, has been to return the business to profitability and positive cashflow.

# Creightons Plc Annual Report 2023

## Group strategic report

This strategic report has been prepared solely to provide additional information to enable shareholders to assess the Group's strategies and the potential for those strategies to succeed.

The strategic report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

In preparing this strategic report, the Directors have complied with s414C of the Companies Act 2006.

The strategic report has been prepared for the Group and therefore gives greater emphasis to those matters that are significant to Creightons Plc and its subsidiary undertakings when viewed as a whole.

The strategic report discusses the following areas:

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

## Chairman's statement

This represented among the most challenging trading years ever faced by the Group. As reported in the Chairman's statement in the half year interim RNS announcement in November 2022 the Group faced significant supply chain and inflationary pressures in the second half of the previous financial year which continued into the first part of the current financial year. These pressures contributed to higher input and overhead costs and reduced profitability. Our response was to embark upon a six-point programme designed to restore margins, reduce costs, lower stocks levels and return the business to positive cashflow. This included moving to a single shift at the Peterborough site. I am pleased to report that we have made significant progress in all of these areas in the second half of the financial year with Profit before tax and exceptional items increasing from £0.1m in the first half to £1.1m in the second half. Full year Profit before tax and exceptional items was £1.2m (2022: £4.1m). We have also improved our net cash on hand by £3.6m during the second half of the year reflecting the improved trading performance and the success of the inventory reduction programme.

We remain committed to seeking further cost and overhead reductions and to restoring margin and overall profitability to previous levels. In spite of the significant challenges faced by the Group and the wider economy, I am pleased to report that the Group has been successful in increasing its branded turnover by an impressive 11.7% which partially offsets the decline in the private label and contract manufacturing business.

The Group's vertically integrated model continues to give it competitive advantage allowing it to respond quickly and effectively to customer requirements. It previously provided for a rapid pivot in production to meet market demand for sanitary product at the beginning of the Covid outbreak, and more recently allowed it to respond flexibly to the current challenging economic environment. It also provides a competitive advantage with post-acquisition integration by providing synergies not available to all market participants. Over the reporting period the Group continued to invest in its manufacturing and in its research and development capabilities which contributed to improved manufacturing efficiencies.

## Summary of Half 1 and Half 2 results:

	H1 (Unaudited)	H2 (Unaudited)	Year ended 31 March 2023
	£000	£000	£000
Revenue	29,676	28,891	58,567
Gross profit	11,990	12,358	24,348
Gross profit %	40.4%	42.8%	41.6%
Operating profit before exceptional items	281	1,303	1,584
Operating profit	130	1,289	1,419
Profit before tax and exceptional items	104	1,060	1,164
Profit before tax	(359)	1,046	687
(Loss) / Profit after tax	(385)	899	514

## Creightons Plc Annual Report 2023

### Group strategic report (continued)

### Chairman's statement (continued)

	H1 (Unaudited) £000	H2 (Unaudited) £000	Year ended 31 March 2023 £000
Cash generated from operating activities	1,352	4,522	5,874

	At 30 September 2022 (Unaudited) £000	At 31 March 2023 £000	Movement £000
Net cash on hand	(4,672)	(1,090)	3,582

### Revenue

Overall Group sales were £58.6m for the year ended March 2023 (2022: £61.2m) a reduction of £2.6m. Overall Branded sales have increased by 11.7% from £20.4m to £22.8m with a strong performance from Feather & Down and Balance Active brands. Private label sales have decreased from £24.9m to £22.0m due mainly to the non-recurrence of a one-off private contract in the previous year. Contract manufacturing sales have decreased from £15.9m to £13.8m reflecting the difficulty faced by certain brand owners in the challenging economic environment (see page 8).

The Group's total overseas business increased by 5.6% to £10.6m (2022: £10.0m) (see note 5).

### Margin and cost of sales

Our gross margin was 41.6% for the year ended 31 March 2023 (2022: 42.8%). Gross margin has improved in the second half of the year to 42.8%, compared to the first half 40.4% 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.

### Distribution costs and Administrative expenses

Distribution costs have increased by 10.4% to £3.9m (2022: £3.5m), driven by increased operational charges at third-party logistics providers and also a full year impact of the acquisitions.

Administrative expenses have increased by 3.3% to £18.9m in the year (2022: £18.3m) as the Group has seen a general rise in overhead costs in particular in energy prices and insurance costs. Overhead savings have been achieved across most cost headings including indirect payroll.

### 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.

Creightons Plc has continued to invest in R&D throughout year ending 31 March 2023 to expand its portfolio of product offering and capabilities, with key areas of focus being the development of unique and technically challenging formulations across Skin care and Cleansing. Utilising advanced technologies we have successfully launched a range of Vitamin C skincare products that demonstrate enhanced skin brightening and anti-ageing performance coupled with novel textures at an affordable price point. New launches with key trend materials such as ceramides, peptides, prebiotics and exfoliating acids continue to demonstrate our ability to keep up with new trends and formulation development, delivering new product development quickly and effectively. Given the challenges in the market place, cost mitigation has also been a key focus with raw material sourcing and validation offering solutions to avoid excessive cost increases and maintain margins on existing products.

Looking forward the team are continuing to invest time and resource into exploring new categories and technologies. The importance of SPF in the skincare and sun care categories is a key area of focus and consumer demand. We are investing in delivering cutting edge, futureproofed formulations, delivering high UV protection in formats that offer improved performance and product aesthetics. Lastly, as part of the Group's expansion into new market territories product compliance becomes a key area of development with formulation redevelopment underway to allow for registration into the Chinese market whilst maintaining product quality. The team continues to support the wider business with trend-based developments focusing on the increased demand for cleaner, natural formulations.

### EBITDA

The Group has generated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of £3.0m (2022: £5.9m). This represents a reduction of £2.9m (49.5%).

**Group strategic report (continued)**

**Chairman's statement (continued)**

**Tax**

The Group's tax charge for the year was £0.2m (2022: £0.3m) which equates to a rate of 25.2% (2022: 10.0%). The effective rate of tax is more than the standard rate of 19.0% (2022: 19.0%). The tax charge in the current year reflects a higher deferred tax liability due to increase in future corporation tax rate to 25%.

**Exceptional items**

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 £0.3m and has been treated as an exceptional cost.

Redundancy costs incurred of £0.2m in respect of the closure of the second shift at Peterborough have also been included in exceptional costs.

**Profit after tax**

The Group's profit after tax has reduced by 83.5% to £0.5m for the year ended 31 March 2023 (2022: £3.1m).

**Earnings per share**

The diluted earnings per share of 0.65p (2022: 3.98p) is a decrease of 83.7%. The EPS has been adversely impacted by the reduction in profit after tax including the exceptional costs of £0.5m and also by the increase in the number of shares in issue (prior year acquisition related shares of 1.0m and share options).

**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 negative £1.2m (2022: negative £2.1m). The improvement in cash is mainly attributable to improved business trading performance in the second half of the year together with inventory level reduction. The Group generated cash of £5.9m (2022: £2.0m) from operating activities.

**Return on Capital Employed**

The Group has increased capital employed following the two acquisitions completed in the previous year.

These investments have not yet delivered a full return on Capital Employed, which together with the reduction in current year operating profit has had the effect of reducing the Return on Capital Employed from 12.9% to 4.3% (see page 10). The expected improvement on the returns on acquisitions in the year will increase in the year to March 2024. The Group continues to look for opportunities to invest in brands that will help drive faster growth in profits.

**Net gearing**

Net gearing of 22.1% (2022: 28.7%) has decreased by 6.6% percentage points in the year.

**Dividend**

The Directors do not propose a final dividend for the year ended 31 March 2023, (2022: £Nil) due to the challenging and volatile economic conditions facing the Group and the need to be prudent about utilisation of cash resources. This is consistent with the Directors' objective to align future dividend payments to the future underlying earnings and cash requirements of the business. The total dividend paid for the year ended 31 March 2023 was nil (2022: £0.15) per ordinary share.

**Supply chain**

In common with many UK manufacturing businesses, we have experienced global supply chain and inflationary pressures particularly during the first half of the financial year. These pressures have manifested in the form of delayed deliveries from suppliers, higher input, energy and overhead costs. The commodity pressures have eased somewhat in the second half of the financial year, but the level of domestic inflation remains a cause for concern. We will continue to be proactive in our response to these challenges and in particular we will seek out new opportunities and endeavour to mitigate any price increases through price recovery, product reengineering, alternative sourcing and other cost control measures.

**Group strategic report (continued)**

**Chairman's statement (continued)**

**Future opportunities**

Looking forward we intend to invest in formulation development, market knowledge and manufacturing know how to enter the sizeable Suncare category. Consumer demand for Sun Protection Factor (SPF) protection is increasing in both the skincare category but also in more usage of sun protection products. This presents a significant opportunity in both the private label and contract manufacturing categories. We also continue to advance in SPF formulation development in the skincare category where consumer demand is also in growth.

We also intend to develop key markets in both the USA and China with our leading brands Emma Hardie and Feather & Down. Considerable time and investment has already been undertaken in China with the Emma Hardie brand where we are now launched on a number of digital platforms including Tmall and Douyin. Our next step is the finalisation of China Health Registrations to enable the brand to also be sold in market in China. Both brands are launching on Amazon in the USA market, a key development to then enable both brands to move into more traditional retail distribution as we demonstrate success on marketplaces.

We expect to extend distribution of Creightons core brands, in particular TZone and Balance Active both in the UK discount and grocery sectors along with international markets.

**Conclusion**

This has been a challenging year for the Group brought on by the war in Ukraine and global economic challenges.

In response we have been resolute and focused in restoring profitability and positive cash flow and in reducing the overall cost base. Our result for the second half of the year provides evidence that we are on the right track.

Manufacturing efficiency improvements have continued as a result of significant investment in higher grade machinery and equipment within the last 18 months. This has enabled the move to one shift across the Group.

In summary the Board believes that good management, strong customer relationships and financial position will continue to enable the Group to manage the current economic situation and that the Group is well placed to proactively manage new challenges and take advantage of any new opportunities that may arise.

We are still keen to expand but will only do so when the infrastructure is fully repositioned to deal with the volatile conditions we are facing.

Thanks also to our employees, customers and suppliers, especially those who have responded so positively through this challenging period.

**William McIlroy**  
**Chairman, 06 July 2023**

## Group strategic report (continued)

### The business model

The principal activity of the Group is the development, marketing and manufacture of toiletries and fragrances, which includes the development of brands. A review of the operations of the Group during the year and current developments are referred to in the Chairman's statement on pages 3 - 6.

The subsidiary undertakings affecting the results of the Group in the year are detailed in note 17 to the financial statements.

### A fair review of the Group's business

#### History

Creightons Plc was registered in 1975 to continue the business of manufacturing and marketing toiletries, first established in 1953, made exclusively from natural products. It created a number of proprietary brands, although it focused mainly on private label and contract manufacturing. It was listed on the London Stock Exchange in 1987. The Group consolidated its manufacturing at the Potter and Moore Innovations plant in Peterborough following the acquisition of the Potter and Moore business in 2003 and disposal of the Storrington site in 2005. The Group acquired the business and assets of the Broad Oak Toiletries site in Tiverton in February 2016 further increasing the Group's sales reach in terms of product and premium customers and adding to manufacturing capability and capacity. In June 2019 the Group bought the Balance Active Formula brand. In the year ended March 2022 the Group completed the acquisition of the Emma Hardie and Brodie & Stone businesses.

#### Operating Environment

The toiletries sector principally encompasses products for haircare, skincare, bath & body and male grooming. The market is relatively mature although it is constantly evolving as brands seek to differentiate their offering in order to generate sales opportunities. This has resulted in a fragmentation of different sectors, for example, with haircare products developed to treat different hair types and conditions. Whilst adding some complexity, this segmentation creates opportunities for our business.

Consumers purchase our products through a range of retail and internet outlets, from high quality department stores to value driven discounters, with the High Street supermarkets and drug stores in the middle. A significant amount of the Group's products are sold in the UK, although increasing amounts are sold overseas, either direct to retailers or through distributors.

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

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

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

The Group's operations are broadly organised into three business streams:

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

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

## Creightons Plc Annual Report 2023

### Group strategic report (continued)

Each business stream uses central creative, planning, sourcing, finance and administration operations based in Peterborough with manufacturing, sales, research and development and logistics operations located at both Peterborough and Tiverton. Each business stream is pro-active in the development of new sales and product development opportunities for their respective customers.

The sales generated by each sales stream are;

	2022/23	2021/22	Movement
	£000's	£000's	
Branded products (excluding acquisitions)	16,682	16,747	Decrease of 0.4%
Branded products (acquisitions – Brodie and Stone & Emma Hardie)	6,075	3,630	Increase of 67.4%
Private label	21,997	24,908	Decrease of 11.7%
Contract manufacturing	13,795	15,866	Decrease of 13.1%
Other	18	6	Increase of 200%
<b>Total</b>	<b>58,567</b>	<b>61,157</b>	Decrease of 4.2%

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

### Position of Group business

It is the Directors' view that the financial position of the Group at the year-end is strong and that the Group has sufficient resources to meet its obligations in the normal course of business for the next 12 months.

### Current operations

The Group operates through the three main business streams described above, utilising its extensive brand management, product development and manufacturing capabilities encompassing toiletries, skincare, hair care, fragrances and home fragrance. The Group has extended its research and development and sales expertise to maximise the opportunities afforded by these capabilities. Some of this work has been capitalised and is being amortised over the estimated life of the products in accordance with UK adopted international accounting standards.

The Group has continued its aggressive development programme of new ranges of branded toiletries, haircare and skincare products, with Feather & Down illustrating the potential that can be derived from this investment. The Group continues to extend and develop those recently acquired, such as Emma Hardie, T Zone and Balance Active, or developed internally and successfully launched such as The Curl Company.

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

### Strategy, objectives and future developments

The primary objective of the Group is to deliver an adequate and sustainable return for shareholders whilst guarding against commercial risks. We aim to deliver this by pursuing the following broad strategies:

- Expand our customer base across all three sales streams (private label, contract manufacturing and own brands) within the UK and increasingly overseas.
- Invest in our Business to Consumer business to take advantage of the change in consumer purchasing patterns.
- Continuously review, develop and enhance our product offering to meet the consumers' requirement for high quality, excellent value products and thereby help our customers grow their businesses.
- Ensure that we exceed our customers' expectations for first-rate quality products and excellent customer service and use this to expand opportunities within our existing customer base.
- Manage our gross and net margins through efficient product sourcing, continuously improving production efficiencies, asset management and cost control.
- Make fully appraised investment in brands that will help us maintain and grow our business and create brand value, which can be crystallised through disposals to third parties.
- Develop our staff and skill base to meet all of the needs of the business and ensure all employees are rewarded, through profit related bonuses and share options, for their contribution to the success of the business.

**Group strategic report (continued)**

**Research and development**

The Group undertakes significant research and development to identify new brands, proprietary products and improved formulations to existing products that address expected market trends to maximise the Group's market share and deliver new opportunities for growth. The spend in the year on research and development was £923,000 (2022: £852,000).

The Group's principal focus in R&D is maintenance and development of brands and products in its existing markets and product ranges. As our brands evolve the Group now develops ranges which involve greater innovative development and claims substantiation which has changed the nature of our research and development over recent years. One impact of this development is improved claims for research and development tax relief.

**Key performance indicators**

**Management and monitoring of performance**

The Directors are mindful that although Creightons Plc is a UK Listing Authority "premium" listed Company, given its size many of the 'big business' features common in premium listed companies are inappropriate. Recent years' profitable results have been achieved as a result of considerable hard work in focusing management and staff efforts on more productive product ranges, improving production and stock holding efficiencies, ensuring high levels of customer service and eliminating overhead inefficiencies. This report has been prepared with that in mind and is commensurate with the size of the Group's business.

As a consequence, the Group has limited personnel or other non-financial Key Performance Indicators (KPIs) or targets. Each position that becomes vacant is reviewed against our strategic objectives for necessity before authorisation is given for it to be filled through either recruitment or promotion.

The Group has set a target of reducing tonnes of Co2e per £m of cost of sales by 5% per annum (based on the figures reported in the year ended 31 March 2019 of 46.9 tonnes of Co2e per £m of cost of sales) over the 5 years ending 31 March 2024. The Group is currently ahead of this target, however it is planned to introduce a Science Based Target (SBT) to replace the intensity target in March 2024 which is linked to Scope 1, 2 and 3 emissions.

The Board regularly monitors performance against several key financial indicators, including gross margin, overhead cost control, cash/borrowing and stocking levels. Performance is monitored monthly against both budget and prior year.

**Financial key performance indicators**

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

- Sales shows the performance of the business.
- Gross margin % (revenue less cost of goods sold, over revenue) indicates production and purchasing efficiencies.
- Profit for the year shows the return to shareholders.
- Operating profit (gross margin less operating expenses) shows profit earned from the normal business operations.
- EBITDA (Earnings before Interest, Tax, Depreciation & Amortisation) provides a reflection of the operating profitability of the business.
- Return on capital employed (Operating profit/Employed Capital + Long & short term debt) ensures that the business generates sufficient returns to pay for its cost of capital.
- Net Gearing (Total net debt/Shareholders' funds) shows the extent to which operations are funded by lenders versus shareholders. Indicating potential exposure to external interest rate fluctuations (financial risk) alongside shareholder investment in the business.
- Net cash on hand shows the immediately available cash for use in operating activities or available for investments, defined as cash and cash equivalents less borrowings and lease liabilities.
- Net cash on hand is defined as Cash and cash equivalents less current lease liabilities and borrowings.
- Stocking levels shows the working capital currently invested in inventory. High levels indicates lock up of working capital.

	2022/23	2021/22	Movement
	£000	£000	
Sales	58,567	61,157	Decrease of 4.2%
Gross Margin	41.6%	42.8%	Decrease of 1.2%
Profit for the year	514	3,110	Decrease of 83.5%
Operating profit	1,419	4,365	Decrease of 67.5%
Operating margin	2.4%	7.1%	Reduction of 4.7%
EBITDA	3,001	5,944	Decrease of 49.5%
Return on capital employed	4.3%	12.9%	Reduction of 8.6%
Net gearing (including obligations under leases)	22.1%	28.7%	Reduction of 6.6%
Net cash on hand	(1,090)	(2,126)	Increase of 48.7%
Stocking levels	10,228	12,479	Decrease of 18.0%

## Creightons Plc Annual Report 2023

### Group strategic report (continued)

#### Key performance indicators (continued)

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

	2023	2022	Movement
	£000	£000	
Operating Profit	1,419	4,365	Decrease of 67.5%
Depreciation	1,294	1,144	Increase of 13.1%
Amortisation	288	435	Decrease of 33.8%
EBITDA	3,001	5,944	Decrease of 49.5%

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

	2023	2022	Movement
	£000	£000	
Total Lease liabilities	1,290	1,167	Increase of 10.5%
Total Borrowings	5,990	7,049	Decrease of 15.0%
Less cash on hand	1,653	840	Increase of 96.8%
Total net borrowings	5,627	7,376	Decrease of 23.7%
Net equity attributable to the equity shareholders of the parent Company	25,479	25,678	Decrease of 0.8%
Net gearing %	22.1%	28.7%	Decrease of 6.6%

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

	2023	2022
	£000	£000
Operating Profit	1,419	4,365
Net Equity	25,479	25,678
Lease liabilities	1,290	1,167
Borrowings	5,990	7,049
Return on Capital Employed	4.3%	12.9%

#### Health and Safety

There were 5 incidents involving employees or contractors on the Group's sites which were required to be reported to the Health & Safety Executive during the year (2022: 1). This did not result in adverse HSE reports or recommendations. The individuals involved have fully recovered and were able to return to work with no long-term effects after their incident. The Group continuously monitors and revises its operating, training and monitoring procedures as appropriate to ensure that the safety of employees and contractors is maintained to a high standard and ensures there is no deterioration in compliance with these standards.

#### Principal risks and uncertainties

The Board regularly monitors exposure to key risks, such as those related to production efficiencies, cash position and competitive position relating to sales. It has also taken account of the 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.

It also monitors risks not directly or specifically financial, but capable of having a major impact on the business's financial performance if there is any failure. The key risks and the measures taken to manage these risks are noted below.

#### Capital structure, cash flow and liquidity

The Group has a strong balance sheet. Acquisitions during the previous year were financed by internal cash resources and bank funding. The business is funded using; retained earnings, a long term mortgage, term loan and sale and lease back arrangements to support investments in fixed assets, invoice financing and overdraft facilities for working capital. Further details are set out in Notes 23 and 24.

At 31 March 2023 the invoicing financing is in a utilised position of £1,557,000 as this facility has been utilised to fund the activities during the year (2022: £1,267,000). At 31 March 2023 the Group had utilised £26,000 (2022: £495,000) of its overdraft facility.

**Group strategic report (continued)**

**Principal risks and uncertainties (continued)**

**Competitive environment**

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

**Quality**

The Group treats quality as its key requirement for all products and strives to deliver quality products for every price point. Failure to achieve the required quality and safety standards would have severe consequences for the Group, from financial penalties to the damage to customer relationships. The Group has a robust product development process to mitigate risk wherever possible and to ensure all products are safe and fit for purpose. The Group is subject to frequent internal and external safety, environmental, ethical and quality audits covering both accreditations held and a number of specific operating standards our customers require us to comply with.

**Global economic environment**

On 24 February 2022 Russian forces entered Ukraine, resulting in Western nations reactions including announcements of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The immediate impact was a significant upward spike in energy and commodity prices, which continued into the first half of the current financial year. In addition, BOE base interest rates have increased from 0.75% to 4.25% 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 Directors have carried out an assessment of the potential global economic impact on the business, including the impact of mitigation measures and uncertainties, and have concluded that the greatest impact on the business is expected to be from price increases.

The Directors have taken account of these potential impacts in their going concern assessments and have concluded that the direct impact is not significant to the business, with the indirect impact of price increases being reviewed on a regular basis. 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.

## Group strategic report (continued)

### Principal risks and uncertainties (continued)

#### Cyber security

Cyber Security remains a significant threat to all businesses. 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.

#### Section 172 statement

In accordance with the requirements of Section 172 of the Companies Act 2006 the Directors are aware of their duty to act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefits of its members in the long term and in doing so have regard to:

- the likely consequences of any decisions in the long term;
- the interests of the Group's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the reputation for a high standard of business conduct; and
- the need to act fairly as between members of the Company.

Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail how the Board engages with our stakeholders to comply with the Section 172 requirement to include a statement setting out how our Directors have discharged this duty.

The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and by direct engagement with stakeholders where appropriate. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision-making. Details of our principal stakeholders, how and why we engage with them is detailed below;

#### *Shareholders*

A key objective of the Board is to deliver long term sustainable growth for our shareholders and to maintain effective communication with our shareholders to explain business performance and strategy. The Group's principal means of communicating with shareholders is through the Annual Report and Financial Statements. This is supported by bi-annual presentations to shareholders where attendees question the executive Directors on the Groups' performance and direction. These sessions are also available to view on the Group's website. The AGM also provides an opportunity for shareholders to ask questions of the Directors.

#### *Customers*

The Directors believe that good relationships with our customers are a key component in the long term success of the Group. These relationships are based on our commitment to provide our customers with quality, service and innovation. We engage with a diverse range of customers from high quality department stores to value-driven discounters and also brand owners within our contract division. Through the combined efforts of our specialist commercial and technical teams our aim to provide a product offering suited to the needs of our customers. We work closely with all of our customers to ensure fair trading agreements are in place and we strive to work closely to identify shared opportunities to increase sales to ensure mutual growth in sales and profits. Our customers include consumers who purchase through a variety of digital platforms and we recognise the increasing importance of effective communication with this expanding customer group.

#### *Employees*

The Directors recognise the crucial role of all our employees in the success of the Group and are committed to enhancing its methods of engagement with the workforce with thorough regular briefings, direct communications through text messages and regular meetings with employee representatives through works councils. The Group offers an open and inclusive culture where employees are offered the opportunity to progress within the business. The Group has a profit related bonus system which ensures our employees participate in the ongoing success of the business. Share options are made available to all employees of the Group to align the long term interest of our employees and shareholders.

#### *Suppliers*

Raw material and component prices constitute the significant proportion of the Cost of Goods Sold (COGS) and supply chain issues in terms of pricing and delays have a major impact on business performance and continuity. We aim to work responsibly with our suppliers and seek to maintain mutually beneficial and strategic relationships over the long term. A due diligence exercise is carried out with new suppliers and ongoing suppliers' performance is monitored including adherence to our Modern Slavery and Human Trafficking Statement. We ensure all suppliers are treated fairly when negotiating trading terms, including prompt payment for goods and services. We work proactively with our

## Creightons Plc Annual Report 2023

### Group strategic report (continued)

#### Section 172 statement (continued)

suppliers to support our vegan and cruelty-free claims on our products and to ensure we are up to date with the latest technology and market trends.

#### Community

The Directors recognise the importance of engaging with the local communities in which the business operates and are committed to making a positive contribution on the quality of life, environment and economy in the locations in which the Group operates. The Directors are aware of the challenges of climate change and have put in place mechanisms to ensure climate change considerations are incorporated into the strategic decisions of the business. These are fully more fully described in the TCFD report on pages 16 to 22.

Key decisions made during the year, all of which have long-term implications for the ultimate success of the Group and the section 172 and stakeholder considerations are set out below.

Key Board Decision	Section 172 and Stakeholder Consideration
<p>Response to supply chain and inflationary pressures</p> <ul style="list-style-type: none"> <li>➤ Customer Price Recovery</li> <li>➤ Supply Chain – including cost and overhead reduction and efficiency improvements</li> <li>➤ Inventory Reduction and Warehousing</li> <li>➤ Capex</li> </ul>	<p>As detailed on page 2 the Group responded proactively to the deteriorating economic environment and the unprecedented challenges facing the business due to supply chain constraints and higher commodity and energy prices. The Group took action across a number of areas which required the Directors to have regard to the interests of key stakeholders. The overarching key priority was however to return the business to profitability and positive cash generation.</p> <ul style="list-style-type: none"> <li>• The Board identified the restoration of customer margin as a key element in ensuring the long term viability of the business for the benefit of all stakeholders. This involved negotiating price increases with our customers. Such customer conversations were challenging but thanks to our transparent and collaborative approach we were able to secure significant price increases whilst retaining the confidence and support of our customers.</li> <li>• The Group acted decisively to reduce costs across all areas of the business and engaged collaboratively on a strategic level with a number of key suppliers to ensure ongoing continuity of supply for the business at competitive prices. This process encompassed a review of all cost and overhead items and has delivered improved production efficiencies and a lower ongoing cost base for the benefit of the benefit of shareholders, employees, customers and suppliers.</li> <li>• A decision was taken to reduce stock levels to 4 weeks across the business which has reduced working capital requirement and overheads. This has required changes to our internal planning process and also ongoing engagement with our suppliers and customers.</li> <li>• The Directors decided to relocate the picking and packing activities onsite to Peterborough. This process is ongoing and has already reduced distribution overheads. When completed this solution will provide a more responsive service to our customers.</li> <li>• It was decided to curtail capital expenditure unless the payback was less than nine months. However the Group was still in a position to deliver efficiency improvements thanks to the capex investment programme undertaken in recent years.</li> </ul>
<p>Renewal of Bank Facilities</p>	<ul style="list-style-type: none"> <li>• Bank facilities were renewed which provided ongoing and secure funding to ensure continued adequate resources for the business to ensure the Group can continue to operate for the benefit of all stakeholders.</li> </ul>
<p>Buyback of shares</p>	<ul style="list-style-type: none"> <li>• Buyback of 1.6m shares issued as part of the completion of the Emma Hardie acquisition at a cost of £576k. The Board decided to hold the shares purchased as Treasury shares. Notwithstanding the short term cash outflow, the purchase had a positive dilutive effect on EPS and is considered to be in the long term interests of the shareholders.</li> </ul>
<p>Elimination of Second Shift at Peterborough site</p>	<ul style="list-style-type: none"> <li>• A decision was taken to eliminate the second shift at the Peterborough site. This was made possible by recent capital investment and improved efficiencies at both manufacturing sites. This decision delivered savings in direct and indirect overheads and therefore improved long term business profitability and cash generation.</li> <li>• The elimination of the second shift ultimately resulted in 44 redundancies. The Group embarked on a consultation programme with employees prior to making the redundancies and where possible offered alternative employment within the Group.</li> </ul>

## Creightons Plc Annual Report 2023

### Group strategic report (continued)

#### Section 172 statement (continued)

<i>Sustainability</i>	<ul style="list-style-type: none"><li>• <i>The Directors significantly expanded on TCFD reporting and ESG responsibilities as detailed in the TCFD report on pages 16 to 22. Expert consultants were engaged to facilitate climate workshops and assist the development of a strategy to respond to the risks and opportunities of climate change.</i></li><li>• <i>The Group engages widely with customers, suppliers, employees and advisors to understand the risks and opportunities associated with climate change and believes that, in spite of any short term cost, it can secure a long term strategic advantage in providing customers with appropriate sustainable solutions.</i></li></ul>
<i>Share Options issues during the year</i>	<ul style="list-style-type: none"><li>• <i>As disclosed in Note 26, share options of 300,000 were issued to employees during the year. The Directors are aware of the potentially dilutive impact of share options but believe that it is important to balance this impact with the need to incentivise the Group's employees, rewarding their loyalty and success, whilst also contributing to the growth of the business and thereby enhancing overall shareholder value over the long term.</i></li></ul>
<i>Dividend policy</i>	<ul style="list-style-type: none"><li>• <i>No interim dividend was paid during the year and the Directors do not propose a final dividend for the year ended 31 March 2023. Faced with the challenging and volatile economic conditions facing the Group the Directors have prioritised returning the business to profitability and positive cashflow. This is consistent with the Directors' objective to align future dividend payments to the future underlying earnings and cash requirements of the business and the need to be prudent about utilisation of cash resources.</i></li></ul>

The Board ensures that items requiring Board approval highlight relevant stakeholder considerations to be reviewed when making decisions. As required, the Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to stakeholder issues.

## Creightons Plc Annual Report 2023

### Group strategic report (continued)

#### Corporate and social responsibility

The Group is mindful of its wider responsibilities as a significant local employer in both its principal locations and of the contribution it makes to the local economy both where it and its suppliers are based. The Group adheres to Modern Slavery and Human Trafficking Policies and adheres to best practice with regard to employment practices. All employees are paid the National Living Wage Foundations earnings.

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

We value and respect our employees and endeavour to engage their talent and ability fully. Whilst the Group does not operate a formal personal performance appraisal process, individual managers and supervisors undertake continuous performance monitoring and appraisal for their subordinates, and routinely report the results of these to their own managers and this assessment forms part of bonus payments. Part of this monitoring and appraisal includes assessment of training required for personal development as well as succession planning within the Group, and all employees are encouraged to undertake appropriate training to develop their skills and enhance their career opportunities.

The Group has formally adopted an Environmental Policy, which requires management to work closely with local environmental protection authorities and agencies, and as a minimum, meet all environmental legislation. The Group uses significant amounts of plastics, cardboard packaging and chemicals in its products. It ensures it meets all regulations covering their use and has specific programmes covering;

- Sustainable palm oil; we are a member of Roundtable for Sustainable Palm Oil, holding their supply chain accreditation. 99.9% of palm oil derivatives purchased by the Group are sustainably sourced.
- Packaging waste; all plastic and cardboard waste generated by the Group is recycled.
- Post-Consumer Recycled materials; we have an active development programme to use 'post-consumer recycled' materials in the manufacture of our products where practicable.
- Prepared for implementation of the Plastic packaging tax in April 2022 including measures to reduce plastic content in our componentry. This includes collaborative working with customers on product reengineering.
- Progress on TCFD measures reporting was made during the year. We have engaged with consultants to assist in the formulation of a strategy and science-based targets.

The tables below show the number of employees by gender in the Group as at 31 March 2023 and 31 March 2022.

	Group 2023		Company 2023	
	Female	Male	Female	Male
Directors, including Non-executive Directors	1	6	1	6
Senior Managers	3	5	-	-
Other employees	260	146	-	-

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

The Group has formal Staff Handbooks, which cover all major aspects of staff discipline and grievance procedure, Health and Safety regulations, and the Group's non-discrimination policy.

#### Disabled persons

The Group's policy is to fully consider all applications for employment from disabled persons in relation to the vacancy concerned. In the event of existing staff members becoming disabled, every effort would be made to enable them to maintain their present position or to provide appropriate training and find an alternative role within another department.

**Group strategic report (continued)**

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

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board to improve reporting of climate-related risks and opportunities (CROs). Creightons plc has structured its climate disclosures according to the TCFD recommendations.

According to the Financial Conduct Authority listing rule LR 9.8.6 R(8), reporting is on a 'comply or explain' basis. Creightons plc is consistent with the TCFD recommendations and recommended disclosures, with the exception of Strategy 2c, and Metrics and Targets 4c.

Pages 16 to 22 explain the work to be completed to ensure consistency with the TCFD recommendations and set out the activities Creightons plc has planned during the financial year ending 31 March 2024, as it continues its journey towards increased consistency.

**Governance**

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

*The Board*

The Board is responsible for providing strategic guidance in respect of Creightons plc's Environmental, Social and Governance (ESG) programme, including actions to address climate-related matters and consider potential CROs. It reviews climate-related reporting as part of the overall assessment of the Annual Report. An update on ESG related topics is presented to the Board on a six-monthly basis by the chair of the ESG Committee, the Managing Director for manufacturing.

The Board considers climate-related risks and opportunities when setting strategy, budgets (including capex) and presently the Board does not yet see significant climate-related impacts on budgets, financial planning, and capex within the timescale of the planning and budgeting process.

Creightons will be in a position to set emissions targets within the first six months of the financial year ending 31 March 2024, when these are in place, monitoring will be added to the Board's agenda.

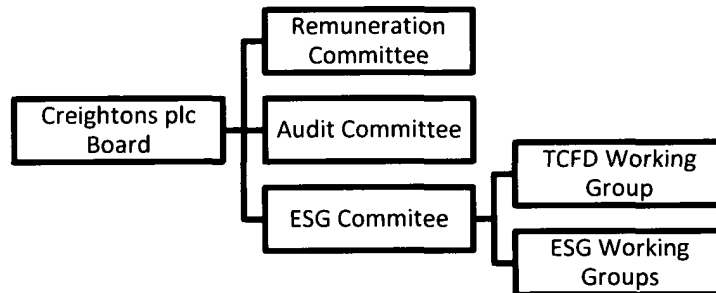
*Governance Framework*

The governance structure provides updates and information to the Board to ensure it can make informed decisions. The Board is also responsible for overseeing and monitoring the management of all business risks and opportunities, including CROs.

In terms of reporting lines, the TCFD Working Group identifies CROs and develops climate-related financial disclosures, which are reported to the Environmental, Social and Governance Committee which has direct responsibility for principal risks and uncertainties as well as challenging the outputs of the TCFD Working Group. This committee is led by the Managing Director for manufacturing, who is a Creightons plc board member with direct influence at Board level.

The governance of climate-related issues is set out in the graphic below.

*TCFD Governance Structure*



Role of Senior Management

*ESG Committee*

The ESG Committee is responsible for all matters pertaining to environmental, social and governance issues. Each committee member is responsible for the execution of an action plan within a key business area. The key responsibilities of the ESG Committee are:

- Delivery of the ESG action plan and monitoring progress.
- Developing and adhering to a board-approved roadmap of emissions reduction opportunities and developing and monitoring progress.
- Collaborating with subject matter experts within business to deliver objectives around responsible sourcing, waste, plastics, and packaging.

## Group strategic report (continued)

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

#### *TCFD Working Group*

Reporting to the ESG Committee is a TCFD Working Group which is responsible for the development of climate-related financial disclosures including identifying climate-related risks and opportunities and assessing their business and financial impacts, identifying potential responses, and ensuring appropriate stakeholder input.

The TCFD Working Group works in collaboration with the ESG Committee in developing and adhering emission reduction opportunities and developing and monitoring progress for the purposes of consistency with the TCFD recommendations.

#### *External Advice*

Creightons plc engaged external experts for expert external advice to supplement the capabilities within the Company and assist in establishing initial data systems and reporting frameworks for our Scope 1, 2 and 3 emissions, as well as assisting in identifying and analysing CROs and to understand the potential impacts from physical climate change risks and risks associated with the transition to a decarbonised economy.

This expert engagement will continue in financial year ending 31 March 2024 to assist in setting appropriate science-based targets and completing a carbon workshop education programme.

#### Key Activities

##### *Board Level*

###### Key Activities Financial year ended 31 March 2023

- The Managing Director for manufacturing presented the two updates in relation on current ESG activities, including the progress of the Carbon Roadmap programme delivered in conjunction with external experts, the work by the TCFD working group on identifying CROs, as well as current work on the Energy Saving Opportunities Scheme.

###### Focus Financial year ending 31 March 2024

- The Board will review the CROs identified by the TCFD Working Group facilitated by external experts.
- Board to review and approve the Group's roadmap in the setting of science-based emissions reduction targets.
- Board to receive updates on progress against the key indicators in the ESG action plans.

##### *Senior Level*

###### Key Activities Financial year ended 31 March 2023

- The ESG Committee, led by the Managing Director for manufacturing, reviewed and updated environmental, social, and business ethics goals and ambitions.

###### Focus Financial year ending 31 March 2024

- Following the completion of the Carbon Roadmap programme the ESG Committee will implement and monitor progress of the execution of the climate action plans in each business area and develop our science-based emission reduction targets.
- The ESG Committee will continue to identify, assess and manage climate risks through its existing risk management process on an annual basis. It will also review the more detailed scenario analyses in financial year ending 31 March 2024 conducted by the TCFD Working Group and external experts.

##### *Operational Level*

###### Key Activities Financial year ended 31 March 2023

- The TCFD Working Group, in conjunction with external experts identified climate-related risks, assessed their impact on the group and identified potential responses.

###### Focus Financial year ending 31 March 2024

- The TCFD Working Group will work with the ESG Committee in building prioritised initiatives for emissions reduction and to develop Science Based Targets aligned to the roadmap, along with completing scenario analyse.
- A deeper dive into the substantive CROs which have been identified.

## Creightons Plc Annual Report 2023

### Group strategic report (continued)

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

##### Strategy

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

Creightons plc with input from external experts have conducted a review of climate related risks and opportunities under the below categories, evaluating their short-, medium- and long-term likelihood, along with their financial, operational, and reputational impacts.

A comprehensive risk analysis has taken place looking at the following risk categories: Current regulations, future regulations, legal, technology, market, reputation, Physical risk (acute and chronic) as well as these opportunities categories: Resource efficiency, energy source, products and service, market, and resilience.

These risks and opportunities have been identified over short (before 2025), medium (2025 to 2030) and long-term (post 2030) time horizons.

Consideration was given to the likelihood (time horizon) of the risk impacting Creightons plc. A risk score was generated (impact x likelihood) and those scoring greater than 12 were classed as substantive (indicated in table below) and will be subjected to a deeper dive assessment in financial year ending 31 March 2024 by the TCFD Working Group.

*A summary of the substantive risks are in the table below.*

Risk Category	Risk Type	Primary Financial impacts	Impact	Likelihood	Time Horizon	Score	Substantive (>= 12)
Technology	Substitution of existing products and services with lower emissions options	Increased direct costs	3	5	Short-term	15	Y
Market	Changing customer behaviour	Decreased revenues due to reduced demand for products and services	4	3	Medium-term	12	Y
	Increased cost of raw materials	Increased indirect (operating) costs	4	4	Short-term	16	Y
Reputation	Increased stakeholder concern or negative stakeholder feedback	Decreased revenues due to reduced demand for products and services	4	3	Medium-term	12	Y

The substantive opportunity is change in customer and consumer perception; we are well placed to respond to the growing volume of climate related queries.

##### Risk Category - Regulatory and Legal

##### *Impact Assessment*

- Short term
  - Based on our Scope 1 and 2 emissions, Creightons plc would be materially impacted by carbon taxation.
  - Following our Scope 3 emissions screening, the indirect cost of carbon taxation through the wider supply chain both with the UK and abroad would have a material impact on Creightons plc.
  - Developing a transition plan in-line with the proposed Mandatory Climate Transition Plan for businesses.
  - Creightons is within the Scope of packaging waste, Extended Producer Responsibility (EPR) and plastic tax commitments.
  - Creighton's plc has taken steps to minimise its exposure to greenwashing claims, it has controls in place to ensure it does not overstate its environmental claims on products and is working with industry experts on ensuring the quality of its climate related data.
  - Creighton's plc provides guidance for its customers and is well prepared for mitigating this risk and avoiding potential reputational exposure.

## Group strategic report (continued)

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

- Medium term
  - The Group is under increased reporting obligations as a premium listed Company. Implementation of the TCFD recommendations is supported by external consultants and takes internal resources to deliver this.

#### Risk Category – Technological, Market and Reputational

##### *Impact Assessment*

- Short Term
  - Increased expenditure around the replacement of energy inefficient production and office equipment.
  - As customers look to become more sustainable and address climate change, it is likely that demand for products with lower emissions and more sustainably sourced raw materials could increase. There can be challenges with some of the 'more sustainable' raw material substitutions.
- Medium Term
  - Several key customers have signed up to the British Retail Consortium Climate Action Roadmap. This commits them to achieving Net Zero emissions by 2040. If we do not work in conjunction with them, there is a risk that they may choose to work with other suppliers that match their ambition.
  - Increased requests for information from customers around climate action and its impact on internal resources.
  - Increased demand for sustainable materials affecting availability in the supply chain.

#### Risk Category – Physical (Acute and Chronic)

##### *Impact Assessment*

- Medium Term
  - Impact to raw material availability and delays in supply chain and distribution
- Long Term
  - Reduced labour and equipment productivity due to extremes in temperature.
  - Disruption due to potable and process water supply reduction could impact manufacturing and commercial operations, coupled with high water costs.
  - Factory and infrastructure damage.

#### Opportunity Category – Resource Efficiency and Energy Source

- Short Term
  - Reviewing low-emission technologies such as solar panels, fitting air source heat pumps, installing LED lighting / PIR's and efficient compressed air use will require upfront capex costs but could develop cost savings through operating efficiencies over time.
  - Developing products with more Post Consumer Re grind (PCR) recycled content could develop cost savings through operating efficiencies over time.
  - Better pallet utilisation to reduce transportation emissions.
  - To develop transportation efficiencies and reduce costs.
  - Continual training of staff on energy saving opportunities.

#### Opportunity Category – Products and Services, Market and Resilience

##### *Impact Assessment*

- Medium Term
  - Increasing consumer demand for sustainable products could enable Creightons plc to increase its market share.
  - Having Creightons plc be at the forefront of sustainable formulations, products and packaging design as well as providing good quality accurate sustainability data could help us gain new customers and retain current ones.
  - This opportunity will be maximised if sustainable products are affordable to consumers, otherwise consumers may choose more affordable less sustainable products due to budget constraints.

We have made good progress in identifying the CROs we could be exposed to over different time horizons. We have also started to describe the impact of CROs on our business, which has helped inform its risk management response and potential adaptations to its strategy and financial planning.

- The Board has now put in procedures to assess the impact of climate related issues and all its impacts. We have employed consultants to assist in the formulation of a holistic climate related strategy.
- The Board recognises the increasing importance of climate related issues on our business and all points in our supply chain. We recognise that climate related issues are not a standalone activity and we have taken measures to ensure that climate related processes are integrated into the financial planning and manufacturing processes.

**Group strategic report (continued)**

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

- Following the Scope 3 and CRO analysis our substantive risks revolve around changing customer behaviour and requests for information from suppliers. The ESG committee has worked extremely hard to respond to all customer requests for information regarding climate change and climate related issues. Expertise within the committee is expanding due to continued collaboration with our consultants as well as involvement in industry seminars / webinars and close working with our trade association.
- Our assessment is that climate related issues will not have a long-term impact on the viability of the business, however we are committed to acting in a responsible manner to meet all our obligations.

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

In financial year ending 31 March 2024, Creightons plc intends to conduct a more granular risk assessment for the CROs identified as being substantial, in conjunction with external experts and will also review the businesses reliance under different climate-related scenarios including a 2 °C or lower scenario.

**Risk Management**

*Processes for identifying and assessing climate related risks*

To assess the identified risks and opportunities, workshops were held with the cross-functional senior individuals from across the Group as well as our key consultant. Following this workshop, a CRO matrix was completed and considered the following areas:

Risk categories: Current regulations, future regulations, legal, technology, market, reputation, Physical risk (acute and chronic)

Opportunities categories: Resource efficiency, energy source, products and service, market, and resilience.

Substantive risks were highlighted along with the management/mitigation methods, as well as the financial impact. A detailed explanation of this can be found in sections above. These are reviewed at least annually, or as new or emerging climate risks are identified.

As part of our Carbon Roadmap programme Creightons plc along with external experts have undertaken a Scope 3 emissions screening based on a financial data model for our base line year financial year ending 31 March 2022. Emissions in financial year ending 31 March 2022 totalled 88,243.6 tonnes CO2e with Scope 3 emissions accounting for 98.8% all emissions. The aim of this project was to identify the most impactful areas of Creightons plc's value chain which are, purchased goods and services including emissions from packaging and raw materials and the upstream & downstream distribution of materials and finished products. These are the key business areas for Creightons PLC's GHG inventory, accounting for 94.2% of the total.

This data collection and screening process will now be further refined and repeated for financial year ended 31 March 2023 during financial year ending 31 March 2024. The information gathered during these screening processes will better inform where emission reduction measures and risk management strategies can be focused.

A final validation of this CRO matrix and a deeper dive into the substantive risks will be completed by the TCFD Working Group in financial year ending 31 March 2024 and the outputs from the assessment will then be shared with the wider team. A routine annual review of all topics detailed in the CRO matrix will also be conducted.

Processes for identifying, assessing, and managing climate related risks

*Risk Category - Regulatory and Legal*

Risk Response

- Short Term
  - We work with government bodies and external consultants to ensure we are fully compliant with our plastic tax, EPR and packaging waste obligations.
  - Developing Net Zero and science-based targets, along with a detailed action plan.
  - Continue to monitor new and amended legislation via working with industry groups and external consultants.
- Medium Term
  - To mitigate carbon pricing mechanisms we will be evaluating renewable energy alternatives to natural gas and procure energy from renewable sources.

## Group strategic report (continued)

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

#### *Risk Category – Technological, Market and Reputational*

##### Risk Response

- Short Term
  - Review the available lower emission technologies appropriate to our production requirements and build this into the capital expenditure plan.
  - Creightons plc have been members of the Roundtable of Sustainable Palm Oil (RSPO) since 2014. Currently 99.9% of the palm oil derivatives (which are key in many personal care products) we purchase are from RSPO sources, decreasing their environmental impact.
  - Creightons plc are actively increasing the PCR usage within its portfolio of products. In the financial year ending 31 March 2023, 34% of our packaging contained PCR content. We will look to increase the amount of packaging which contains PCR whilst working with industry experts on the packaging materials that currently are unable to contain PCR.
  - Working with consultants to develop a carbon management strategy aligned with the TCFD recommendations and evaluating setting science-based emission reduction targets, with the involvement of SBTi.
  - Presently the Company has not been participating in the Carbon Disclosure Project (CDP), we anticipate joining the CDP within the next 12 months.
  - There has been an increased number of requests from customers on climate related information, coupled with the demands of quantifying our Scope 3 emissions. We are reviewing our internal resource and consultancy to meet these demands.
  - Follow-up questionnaires to suppliers on their response to climate change initiatives and deep dive on each individual component or raw material supplied.
- Medium Term
  - Build sustainability and carbon impact into new product development processes.

#### *Risk Category – Physical (Acute and Chronic)*

##### Risk Response

- Short Term
  - Look at encouraging water saving by employees.
  - Review business continuity plan in relation to flood and sea level rise risks.
- Medium Term
  - Understand suppliers' preparedness for future heat stress.
  - Engage with suppliers currently at risk and for those having future risk of flooding.
  - Explore options for water saving in the manufacturing process.
- Long Term
  - Consider introduction of natural cooling and ventilation solutions.

#### *Opportunity Category – Resource Efficiency and Energy Source*

##### Opportunities Response

- Closely monitor technological developments and major brand behaviour to be able to act as an innovator and a fast follower.
- Continue monitoring the cost difference in renewables versus non-renewables so that the shift to increased renewables can be timed correctly.

#### *Opportunity Category – Products and Services, Market and Resilience*

##### Opportunities Response

- Short Term
  - Continue monitoring consumer demand for sustainable products.
  - Ensure continued capex investment in sustainable technology to ensure readiness to meet rising demand.
  - To be able to retain current customers and gain new ones with the quality of our sustainable formulations and the accuracy of our climate data we are:
    - Continuing climate related education activities in conjunction with external experts for all staff to ensure they remain at the forefront of this topic.
    - R&D researching all manner of green technologies, formulation design and packaging types.

## Group strategic report (continued)

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

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

Creightons plc has detailed and robust risk management processes around the design, procurement, and safety of all personal care products it manufactures. As previously mentioned, these would currently cover sustainability and legislative topics relating to the use of:

- Round table of sustainable palm oil. Creightons plc holds the RSPO chain of custody accreditation which is completely integrated into the Company's quality management system and is independently audited on an annual basis. Presently 99.9% of palm derivatives used are from an RSPO sustainable source.
- Prohibiting or restricting materials derived from species on the IUCN Red List. All materials are reviewed as part of our R&D development process to ensure there are no sustainability issues with ingredients used in formulations.
- We are actively involved in increasing the amount of PCR inclusion within our products. Currently at the financial year end 31 March 2023, 34% of plastic components contain PCR, an increase of 14% from the previous year.
- In other areas, the business continuity plans include extreme weather and climate events, and our capital expenditure review process considers the energy efficiency savings on new equipment.

In financial year ending 31 March 2024 we will use the CRO matrix, scenarios resilience and emissions screening data to further integrate climate related risks into the organisations overall risk management strategies or add additional process where required.

#### Metrics and Targets

We calculate our Scope 1 and Scope 2 GHG emissions annually as part of the Streamlined Energy and Carbon reporting requirements, these are calculated in accordance with the GHG Protocol and the SECR guidelines. Details of the Group's Scope 1 and 2 carbon emissions for the financial year ending 31 March 2023 are set out on page 24.

Currently, the Group is not consistent with recommended disclosures 4(a) – 4(c). Whilst Scope 1 and Scope 2 GHG emissions have been calculated under the SECR requirements finalised Scope 3 emissions data for financial year ending 31 March 2023 are still to be completed.

The next stage in the Group's journey towards consistency with the TCFD recommended disclosures 4(a) – 4(c) is to work with an external partner during the financial year ending 31 March 2024 to:

- Setting appropriate Science Based Targets in conjunction with the SBTi
- Benchmark our performance by participating in the Carbon Disclosure Project (CDP) reporting cycle starting in April 2024.
- Develop a roadmap of emissions reduction opportunities.
- Deeper dive into all substantial climate related risks
- Further ingrate climate related risks into the organisations overall risk management strategies.

## Creightons Plc Annual Report 2023

### Group strategic report (continued)

#### Non-financial information statement

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

The table below provides key references to information that, in conjunction with the TCFD Report, comprises the Non-Financial Information Statement for the year ended March 2023.


Reporting requirement	Group Policies that guide our approach	Information and risk management, with page references
Environmental matters	Group Environmental, Health, Safety, Energy and Sustainability Policy	<ul style="list-style-type: none"> <li>TCFD report on pages 16 – 22</li> <li>Section 172 statement on pages 12 - 14</li> <li>Strategy, objectives and future developments on page 8</li> </ul>
Employees	Group Environmental, Health, Safety, Energy and Sustainability Policy	<ul style="list-style-type: none"> <li>Section 172 statement on pages 12 - 14</li> <li>Disabled persons on page 15</li> <li>Health and Safety on page 10</li> <li>Diversity policy on page 31</li> </ul>
Social matters	Corporate and social responsibility policy	<ul style="list-style-type: none"> <li>Corporate and social responsibility on page 15</li> </ul>
Respect for human rights	Modern Slavery and Human Trafficking Policies	<ul style="list-style-type: none"> <li>Corporate and social responsibility on page 15</li> <li>Suppliers on page 12</li> </ul>
Anti-corruption and anti-bribery matters	Group Anti-Bribery and Corruption Policy	<ul style="list-style-type: none"> <li>Corporate and social responsibility on page 15</li> </ul>
Description of the business model	<p><b>Environmental</b> As a manufacturing business we understand that we must continue to evolve in order to meet the needs of our stakeholders. The Group continues to improve its environmental credentials in a commercially viable manner. We are taking proactive steps to build on this as set out in our second report under the TCFD framework on pages 16 – 22.</p> <p><b>Social</b> The foundation of the Group's strength is its people. The Group's policy is to employ people who embody its core values of quality, service and innovation. These values apply to all employees regardless of position.</p> <p><b>Governance</b> The Group's arrangements are set out in the Corporate Governance section on pages 30 – 33.</p>	
Description of the principal risks in relation to the above matters, including business relationships, products and services likely to affect those areas of risk, and how the Group manages the risks	<ul style="list-style-type: none"> <li>Principal risks and uncertainties on pages 10 - 12</li> </ul>	
Non-financial key performance indicators	<ul style="list-style-type: none"> <li>TCFD report on pages 16 - 22</li> </ul>	

The Modern Slavery policy can be located at [www.creightonsplc.com](http://www.creightonsplc.com)

#### Going concern

The Directors are pleased to report that the Group has renewed its bank facilities and continues to meet its debt obligations and expects to operate comfortably within its available borrowing facilities. The Group's cash on hand at 30 June 2023 is positive £0.4m. We have carried out a review of our cash requirements for the next 12 months. Scenarios modelled included the removal of the Group's largest customer and increases of 20% in costs of raw materials or overheads. These models are more extreme than the conditions prevailing during the last 12 months but demonstrate that even without management tackling current overhead levels or increasing prices to customers, the Group would not fully utilise available bank facilities over the next 12 months. The Directors have therefore formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being at least twelve months from the date of this report. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

This report was approved by the Board of Directors on 06 July 2023 and signed on its behalf by:

  
bernard.johnson@creightonsplc.com (Jul 6, 2023 17:54 GMT+1)

Bernard Johnson  
Managing Director

## Creightons Plc Annual Report 2023

### Directors' report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2023. The corporate governance statement set out on pages 30 to 33 forms part of this report.

The Strategic Report on pages 3 to 23 provides a fair review of the Group's business for the year ended 31 March 2023 as well as explaining the Group's strategy, objectives, future developments, its key performance indicators for monitoring the business and the Group's principal risks and uncertainties that could impact on the Group.

The Strategic Report on page 9 covers the Groups Research and Development activities and on page 15 covers Disabled Persons practice.

The Strategic Report on page 23 covers the Going concern policy.

### Dividends

The Directors do not propose a final dividend for the year ended 31 March 2023 (2022: £Nil). No dividends were paid during the year. The 2021 final dividend of 0.50 pence per ordinary share and an interim 2022 dividend of 0.15 pence per ordinary share were paid during the year to 31 March 2022 total 0.65p (2021: 0.65p).

### Acquisition of the Company's own shares

Further to the shareholders' resolutions of 24 August 2022, the Company purchased 1,600,000 ordinary shares with a nominal value of £0.01 and representing 2 per cent of the Company's called up ordinary share capital, for a consideration of £576,000. The reason for the purchase was to enhance earnings per share.

### Annual UK energy consumption and Greenhouse Gas (GHG) emissions

		Year ended 31 March 2023	Year ended 31 March 2022	% change
<b>Energy (kWh)</b>				
	Natural gas	2,926,451	3,617,440	(19.1)
	Other fuels	3,963	3,963	-
	Electricity	1,869,902	2,048,984	(8.7)
	<b>Total energy</b>	<b>4,800,316</b>	<b>5,670,387</b>	<b>(15.3)</b>
<b>Emissions (tCO<sub>2</sub>e)</b>				
Scope 1	Natural gas	534.2	629	(15.1)
Scope 1	Other fuels	1	1	-
Scope 1	Refrigerant gases	12.3	12.5	(1.6)
Scope 2 (LB)	Electricity	361.6	435.1	(16.9)
Scope 2 (MB)*	Electricity	488.4	608.1	(18.8)
	<b>Total SECR emissions</b>	<b>909.1</b>	<b>1,077.6</b>	<b>(15.6)</b>
<b>Emission intensity ratio</b>				
	Intensity metric	34,219	35,001	(2.2)
<b>Emissions intensity (tCO<sub>2</sub>e / unit)</b>		<b>0.027</b>	<b>0.031</b>	<b>(12.9)</b>

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires Creightons Plc to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources. Energy and GHG emissions have been independently calculated for the 12-month period ending 31 March 2023.

We have reported on all of the emissions sources required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended in August 2013. The reporting boundary used for the collation of the above data is consistent with that used for consolidation purposes in the financial statements. We have used GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Governments GHG Conversion Factors for Company Reporting 2019 to calculate the above disclosures.

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

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

## Creightons Plc Annual Report 2023

### Directors' report (continued)

The Group has set a target of reducing tonnes of Co2e per £m of cost of sales by 5% per annum (based on the figures reported in the year ended 31 March 2019 of 46.9 tonnes of Co2e per £m of cost of sales) over the 5 years ending 31 March 2024. The Group is currently ahead of this target, however it is planned to introduce a Science Based Target (SBT) to replace the intensity target in March 2024 which is linked to Scope 1, 2 and 3 emissions. The ambition of this target will be reviewed in preparation for the annual report for the year ended 31 March 2024.

Creightons Plc is committed to reducing its environmental impact and contribution to climate change through continuous improvement procedures. We have implemented several initiatives within the reporting period, primarily focused on energy efficiency:

- Ongoing investment in lighting replacements across the warehouse and rest of the factory
- £62K investment in replacing compressors with variable rate equivalents, saving an estimated £7.5K in annual energy costs
- Installation of PIR motion sensors in warehouse, toilet and canteen areas

In addition, we are working with our suppliers and customers to develop lower-carbon products with a higher post-consumer recycled material (PCR) content, with some of our customers having started to use PCR componentry in their brands. Currently, 80% of the packaging from products produced by us can be recycled. We aim to minimise all packaging where possible and have recently achieved this by reducing full diameter overcaps to small dust caps where possible, along with removing plastic shives from packaging where they are not required.

#### Methodology

Activity data have been converted into equivalent energy and GHG emissions using emissions factors published by the UK Government in 2022. Electricity and natural gas disclosures have been calculated using metered kWh consumption taken from supplier fiscal invoices. GHG emissions associated with Scope 2 purchased electricity have been reported using both market-based (MB) and location-based (LB) methodologies. Market-based emissions have been carried into the total emissions figure – corresponding location-based emissions have been included for comparison only.

Where there is limited visibility of a site's energy consumption, electricity and natural gas consumption has been estimated based on floor area and CIBSE industry benchmarks for energy usage within offices. A small amount of gas oil is purchased on an ad-hoc basis, for which consumption has been estimated based on run hours.

Refrigerant gas emissions were calculated using a screening methodology with data taken from aircon servicing certificates carried out in 2023 for the Peterborough site. The reports have then been used to estimate the emissions for the Devon site. Finally, last year's gas consumption has been amended due to billing issues in FY22.

#### **Capital structure**

The issued share capital is detailed in note 25. Creightons Plc has one class of ordinary shares, which carry no rights to fixed income. Each share carries one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfers of shares or their voting rights.

Details of the employee share schemes are set out in note 26.

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

## Directors' report (continued)

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of the Directors are governed by the Companies Act 2006, the Articles of the Company and are detailed in the Corporate Governance statement on pages 30 to 33. Directors are required to retire upon the third anniversary of their last election.

Under the terms of resolution 8 at the 2022 AGM, the Company has the authority to issue without pre-emption rights 3,487,809 ordinary shares, being 5% of the issued share capital at that time. This authority expires after 15 months from its date of adoption (24 November 2023) or until the next AGM if sooner unless renewed. The Directors will propose a resolution renewing this power based upon the new issued share capital.

Under the terms of resolution 9 at the 2022 AGM, the Company has the authority to purchase 1p ordinary shares up to a maximum aggregate nominal value of £34,878.09, being 5% of the issued share capital at that time, at no more than 105% of the average of the middle market quotations for ordinary shares for the five business days prior to the date of the purchase and the minimum price of 1p. This authority expires after 15 months from its date of adoption (24 November 2023) or until the next AGM if sooner unless renewed. The Directors will propose a resolution renewing this power based upon the new issued share capital.

There are several other agreements that alter or terminate upon a change of control of the Company or subsidiary companies such as commercial agreements, bank facility agreements, property leases and employee share plans. None of these are expected to be considered significant in terms of their likely impact on the business of the Group taken as a whole. There are no agreements between any companies within the Group and any of their Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

## Business Relationships

Our Directors and employees foster great business relationships with all of our external stakeholders. Further information on the matter is included in the section 172 Statement on pages 12-14.

## Employees

The Group places significant importance on the contributions of its employees and aims to keep them informed of developments in the Group through a combination of Teams briefings and electronic communication, which has increased significantly in recent years. There are Works Councils on both of the Group's sites where employee concerns are raised. Employee input is encouraged and Directors and senior management regularly tour the facilities and engage with employees.

A large number of employees are members of the Group's Share Option scheme and can participate in the Group's success. All employees can earn up to 7.5% of their basic earnings in a Group wide bonus scheme as long as the Group has met its profit targets. This Bonus is paid twice per year and has been paid regularly in recent years. However due to the challenging trading conditions no profit-related bonus was paid in the current financial year.

The Strategic Report on page 12 covers how the Directors have had regard to employee interests, including the effect of principal decisions taken by the Group during the financial year.

## Directors

The Directors who held office during the year were as follows:

William O McIlroy (Executive Chairman and Chief Executive)  
Bernard JM Johnson (Managing Director)  
Philippa Clark (Deputy Managing Director)  
Martin Stevens (Group Managing Director – Manufacturing)  
Paul Forster– (Non-executive)  
William T Glencross (Non-executive)  
Nicholas DJ O'Shea (Non-executive and Group Company Secretary)

### William McIlroy – Chairman and Chief Executive

Mr McIlroy is a major shareholder and has served on the Company's Board since 2000 and been Chairman and Chief Executive since 2001. He has extensive knowledge and experience of the personal care industry. Since his appointment to the Board, he has provided invaluable strategic direction and guidance to the Company, which has resulted in its recovery from a historically poor trading and funding position, leading to the delivery of sustained profit and earnings growth for over a decade.

### Bernard Johnson - Managing Director

Mr Johnson has been the Company's Managing Director since 2002 and has been in similar senior positions with manufacturing businesses over the past 30 years, in many cases brought in on a rescue and recovery basis. He has overseen the turn-round and subsequent growth of the business during his time as Managing Director as well as managing the acquisition and integration of both the Potter & Moore Innovations business in Peterborough and more recently the Potter & Moore Devon, Emma Hardie and Brodie & Stone businesses.

## Creightons Plc Annual Report 2023

### Directors' report (continued)

#### Philippa Clark – Deputy Managing Director

Ms Clark has worked within the industry for more than 20 years in a wide and extensive range of sales, marketing and commercial roles across private label, branded and contract businesses. In recent years she has headed up the development of the Creightons branded portfolio, growing and extending the reach of the Group's award-winning brands into multiple channels and international markets whilst also overseeing the development of the strengthening private label division of the business. She has held the position of Global Marketing Director since her appointment to the Board in 2015 and Deputy Managing Director since 8 July 2020.

#### Martin Stevens – Group Managing Director – Manufacturing

Mr Stevens is a Chartered Chemist and has worked in the cosmetics industry for more than 30 years with extensive experience across the personal care and household sector in Research & Development, Quality Assurance, Production and Procurement. Martin has been Technical Director at Potter & Moore Innovations Ltd (the Group's principal trading business) and Creightons Plc for the past 16 years. He was appointed Group Managing Director of Manufacturing in March 2022 including responsibility for climate-related risks and opportunities. He has previously been Technical Director of Norit Body Care Toiletries, Technical Director at the manufacturing division of AAH Pharmaceuticals Ltd, Chief Chemist at Columbia Products Co Ltd after initially entering the industry with L'Oreal working with brands such as Lancôme and Cacharel. Martin was appointed as Group Deputy Managing Director when he joined the Board in 2015.

#### Paul Forster – Non-executive Director - formerly Group Finance & Commercial Director

Mr Forster was appointed Non-executive Director on 01 April 2021 after retiring from his full time executive role as Group Finance & Commercial Director. Paul has been with the Potter & Moore Innovations business for more than 30 years, primarily working as Chief Financial Officer but also including spells overseeing manufacturing. Previously he was Finance Director of Beauty International Fragrance Ltd (BIF), who distributed the Coty fragrance range throughout Europe and the Far East. Prior to joining BIF Paul qualified as a Chartered Accountant with Touche Ross.

#### William Glencross - Non-executive Director

Mr Glencross has had many years' sales, marketing and general management experience in the cosmetics and toiletries industry in both the branded and private label sectors, having been Sales & Marketing Director and then Managing Director of Potter & Moore, and was previously General Manager of the Fine Fragrance division of Shulton G.B., part of the American Cyanamid Group. Mr Glencross was appointed to the Board in July 2005 and made a non-executive Director on his retirement in 2006.

#### Nicholas O'Shea – Non-executive Director & Group Company Secretary

Mr O'Shea has been the Company secretary for most group companies for over 25 years and a Director since 2001. A maths & chemistry graduate, he has a background in the toiletries and chemicals sectors having held senior financial positions in a number of world-wide businesses including Proctor & Gamble, Scott Paper and Omya Pluss-Stauffer. Mr O'Shea is a CIMA qualified management accountant, and he is currently CFO or finance Director with several privately-owned SMEs as well as an investment management Company in the City.

#### Director indemnities

There are no Director indemnities.

#### Directors' insurance

During the year, the Company has purchased insurance cover for the Directors against liabilities arising in relation to the Group, which remained in force at the date of this report.

#### Directors standing for re-election

Under the terms of the Articles, Directors are required to retire on the third anniversary of their last election. No Directors come up for election this years under article 76 (all were re-elected last year or the year before). The previous requirement for retirement by rotation by thirds was abolished in the 2006 Companies Act.

#### Substantial shareholdings

At 31 March 2023 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following substantial interests, being 3% or more of the ordinary shares in issue:

Shareholder	Number of shares	% held
Mr WO McIlroy (including Oratorio Developments Ltd)	16,219,275	22.64%
Mr & Mrs B Geary	6,273,427	8.76%
Mr BJM Johnson	5,245,844	7.32%
Messrs S & A Chandaria	3,500,000	4.89%
The Estate of Mr T Amies	2,580,000	3.60%
Mr B Dale	2,451,740	3.42%

No notifiable share transactions by any of the above shareholders have been advised to the Company. There have been no sales of ordinary shares during the period between 31 March 2023 and 30 June 2023.

## Creightons Plc Annual Report 2023

### Directors' report (continued)

The Company has received no other information requiring such notifications under chapter 5 of the Disclosure and Transparency Rules during the year. The above table shows the percentages held revised for share issues subsequent to the latest notification from the relevant shareholder.

### Financial instruments

The Group's financial risk management objectives and policies are discussed in Note 21 to the Consolidated Financial Statements on pages 90 to 93.

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

The Board will be proposing the following resolutions at the AGM. The detailed wording of the resolutions is contained within the notice of the AGM. They have the support of all Board members, who will vote in favour of them with all their own shareholdings and those under their control, and with any discretionary proxies granted to them personally or in the capacity of chair of the meeting.

1. To receive and consider the Group's financial statements and reports of the Directors and auditor for the year ended 31 March 2023.
2. To receive and approve the Directors' remuneration report for the year ended 31 March 2023.
3. To approve the Directors' remuneration policy as detailed in pages 40 to 43 of the Directors' remuneration report.
4. To re-appoint Mazars LLP as auditors and to authorise the Directors to determine their remuneration.
5. To give authority to the Directors to allot shares pursuant to Section 551 of the Companies Act 2006. This authorises the Company for a period of up to 15 months, or until the next AGM if sooner, to allot 1p Ordinary Shares up to an aggregate nominal value of £233,431.94 being a further one third of the Company's present issued share capital as a rights issue.
6. As a special resolution, to grant a limited disapplication of the statutory pre-emption rights contained in Section 570 of the Companies Act 2006. This authorises the Company for a period of up to 15 months, or until the next AGM if sooner, to allot 1p ordinary shares up to an aggregate nominal value of £35,014.79 being 5% of the Company's present issued share capital, without first offering them as a rights issue to existing shareholders.
7. As a special resolution, to give a limited power to the Company to purchase its own shares. This authorises the Company for a period of up to 15 months, or until the next AGM if sooner, to purchase 1p ordinary shares up to a maximum aggregate nominal value of £35,014.79 being 5% of the Company's present issued share capital, at no more than 105% of the average of the middle market quotations for ordinary shares for the five business days prior to the date of purchase and the minimum price of 1p.

The resolution approved at the AGM on 24 August 2022 relating to the authorisation of the Company to purchase 1p ordinary shares up to a maximum 5% of the Company's issued share capital at that date remains in place and is unused.

### Directors' confirmations

Each Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is not aware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Directors' report (continued)**

**Viability statement**

In accordance with the UK Corporate Governance Code 2018, the Directors have assessed the viability of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of 3 years. In making this statement, the Directors have carried out a robust assessment of the Group's current position and prospects, the principal risks facing the business, the impact of sensitivity analysis, together with the Group's principal risks and uncertainties (outlined in the Strategic Report on pages 10 to 12).

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

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


The Group continues to meet its debt obligations and expects to operate comfortably within its available borrowing facilities going forward.

Based on the above, the Board confirms it has a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the 3 year period of assessment.

**Auditor**

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

By order of the Board

  
bernard johnson (Jul 6, 2023 17:54 GMT+1)

Mr Bernard Johnson  
Managing Director

06 July 2023

## Corporate governance statement

### Introduction

The Board of Directors is responsible for the long-term success of the Group, through the sustainability of the Group's business model and showing leadership and drive to ensure the Group delivers on its strategies. The Board identifies opportunities to maintain the long-term success of the Group and devises strategies and actions to take advantage of these opportunities. The strategy will always take into account the costs and commitments associated with the opportunities and will ensure the risks are managed to reduce the short-term risks. The Board is conscious of all stakeholders when making decisions, with particular focus on protecting and respecting the interest of its employees.

### Compliance

The Listing Rules of the Financial Conduct Authority ("FCA") require listed companies to disclose how they have applied the principles set out in the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council and whether or not they have complied with its provisions. The UK Corporate Governance Code is available on the Financial Reporting Council's website: [www.frc.org.uk](http://www.frc.org.uk). The Board is committed to the principles set out in the Code but judges that some of the processes are disproportionate or less relevant to the Company, given the relatively small size and minimal complexity of the business.

The Company has not complied with the Code since its issue as regards the following:

- No formal training programme is in place specifically for Non-executive Directors.
- The role of the Chairman and Chief Executive are combined.
- The non-executive Directors are not limited to a period of office.
- There is no Director considered by the Board to be independent.
- There are no independent Directors on either the Remuneration or Audit Committees.
- The share options granted to Directors have a vesting period of less than 5 years.

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

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

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

With the growth of the Company and increasingly prescriptive compliance requirements, the Board is continuing to review its governance arrangements with the intention of ensuring that it continues to be as compliant with guidelines and best practice as is appropriate and practical for a Company of our size and resources.

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

### The Composition of the Board

Details of all the Directors are set out below:

William McIlroy	Executive Chairman and Chief Executive
Bernard Johnson	Managing Director
Nicholas O'Shea	Group Company Secretary and Non-executive Director
William Glencross	Non-executive Director
Philippa Clark	Deputy Managing Director
Martin Stevens	Deputy Managing Director
Paul Forster	Non-executive Director

## Creightons Plc Annual Report 2023

### Corporate governance statement (continued)

#### Board diversity

Creightons Plc has not complied with the requirements of LR 9.8.6R(9) as the targets set by the Listing Rules as at 31 March 2023 have not been met as follows:

- At least 40% of the Board are women;
- At least one of the senior Board positions is a woman;
- At least one member of the Board is from a minority ethnic background.

In acknowledging the need for increased diversity, it is important to consider the context that the Board is long-standing and has not had recent opportunities for appointments. The Board has been established for a significant period and naturally lacks diversity due to historical circumstances and limited turnover. However, this represents a unique opportunity for proactive action to make meaningful appointments that promote diversity and inclusivity.

By recognising the need for greater diversity, we can actively seek out and welcome qualified individuals from a broader range of backgrounds, experiences, and perspectives through fair and transparent selection processes. Embracing diversity fosters creativity, innovation, and a richer decision-making process, ultimately benefiting the entire group and ensuring a more inclusive and equitable future. Whilst it may require time, this commitment to change will contribute to the Board's long term success and enable it to better reflect the diverse world in which we operate.

Details of the Board gender diversity are set out below:

	No. of Board members	% of the Board	No. of senior positions on the Board	No. in executive management	% of executive management
<b>Men</b>	6	86%	6	3	75%
<b>Women</b>	1	14%	1	1	25%
<b>Other categories</b>	-	-	-	-	-
<b>Not specified/prefer not to say</b>	-	-	-	-	-

Details of the Board gender diversity are set out below:

	No. of Board members	% of the Board	No. of senior positions on the Board	No. in executive management	% of executive management
<b>White British or other White (Including minority-white groups)</b>	7	100%	7	4	100%
<b>Mixed/multiple ethnic groups</b>	-	-	-	-	-
<b>Asian/Asian British</b>	-	-	-	-	-
<b>Black/African Caribbean/Black British</b>	-	-	-	-	-
<b>Other ethnic group, including Arab</b>	-	-	-	-	-
<b>Not specified / prefer not to say</b>	-	-	-	-	-

#### The Role of the Board

The Board's principal task is to set the Group's strategy, which is devised to deliver optimum value for shareholders. Other matters reserved for decision by the full Board include approval of the annual report, authorisation of all acquisitions and disposals, sanction of all major capital expenditure, the raising of equity or debt finance and investor relations.

The Board has considered that the Group was too small for the distinction between Chairman and Chief Executive to be practical.

The Board recognises the lack of independent Directors, however the existing Non-executive Directors provide extensive industry, market and business knowledge which benefits the strategic decisions of the Group. The Board considers this expertise is considered more beneficial than the cost of appointing independent Directors. Consequently, it feels that it remains appropriate for the existing Non-executive Directors to be nominated for re-election when their terms expire under the Company's articles.

Both William McIlroy and Bernard Johnson continued with their roles with their service companies and Mr McIlroy has continued with his role with Oratorio Developments Ltd during the year. There has been no change in these commitments over the past year.

## Creightons Plc Annual Report 2023

### Corporate governance statement (continued)

The Board reviews the risks that arise and continually reviews any emerging and ongoing risks and the outcomes are noted in the Strategic Report on pages 10 to 12. This includes the management of the risk from cost increases due to global supply chain pressures and the corresponding mitigation measures. A senior management team hold regular ongoing meetings to measure the extent of the cost price increase and to determine the appropriate commercial and operational response.

The Directors have met as a full Board on 9 occasions during the year, including meetings by telephone. The attendance at meetings held during the year to 31 March 2023 for each of the Directors is as follows:

Director	Board meetings	Remuneration Committee	Audit Committee
William McIlroy	8	-	-
Bernard Johnson	9	-	-
Nicholas O'Shea	7	1	7
William Glencross	8	1	7
Philippa Clark	9	-	-
Martin Stevens	9	-	-
Paul Forster	8	1	7

Procedures are in place to enable the Directors to take appropriate independent professional advice at the Company's expense if that is necessary for the furtherance of their duties. All Directors have access to the advice and services of the Company Secretary.

### Board Committees

Under the formal terms of reference of the Board Committees, the Board has delegated specific responsibilities to the Nomination, Remuneration and Audit Committees. The Board considers that all the members of each Committee have the appropriate experience and none of them has interests which conflict with their positions on the Committees.

### Nomination Committee

The Board as a whole undertakes the duties of the Nomination Committee. The Committee is responsible for proposing candidates for the Board having regard to the balance and structure of the Board.

The Group has an Equal Opportunities and Diversity policy which aims to ensure that all employees are treated equally, irrespective of sex, sexual orientation, marital status, age, disability, race, colour, religion, ethnic or national origin and places an obligation upon all staff to respect and act in accordance with this policy. This policy is applied to the Company's administrative, management and supervisory bodies and the remuneration, audit and nomination committees of those bodies.

### Remuneration Committee

The Remuneration Committee consisted of William Glencross, acting as chair, Nicholas O'Shea and Paul Forster. In determining policy for the Executive Directors, the committee has given due consideration to the Code. The remuneration packages are designed to attract, retain and motivate Executive Directors of the required calibre. The Committee reviews the appropriateness of all aspects of Directors' pay and benefits by taking into account the remuneration packages of similar businesses.

### Directors' remuneration

The Executive Directors are salaried in their capacity as Directors. Their management and operational services may be provided via service companies on a basic fee basis. Additional fees are contingent on the levels of pre-tax profits.

In addition, the Directors participate in a share option scheme. The Board believes that in accordance with the best practice provisions, this approach aligns the interests of shareholders and Directors.

Full details of Directors' remuneration, shareholdings and share options are noted in the Directors' Remuneration Report on pages 34 to 43.

### Internal control

The Directors are responsible for the Group's systems of internal control and for reviewing its effectiveness whilst the role of management is to implement Board policies on risk management and control. The Group's system of internal control is designed to manage rather than eliminate risk of failure to achieve the Group's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established a process for managing the significant risks faced by the Group. This ongoing process is reviewed regularly by the Board and accords with the internal control guidance issued by the FRC.

### Corporate governance statement (continued)

The key procedures designed to provide effective internal controls are:

- A clearly defined organisational structure with the appropriate delegation of authority to operational management.
- A comprehensive planning and budgeting process, which requires the Chairman's and Managing Director's approval.
- Management information systems to monitor financial and other operating statistics.
- Aspects of internal control are regularly reviewed and where circumstances dictate, new procedures are instigated.

The Group does not have an internal audit function. However, the Board periodically reviews the need for such a function. The current conclusion is that this is not necessary given the scale and complexity of the Group's activities. The Board has reviewed and is satisfied with the effectiveness of the internal controls in operation and this process will continue.

### Audit Committee

The Audit Committee consisted of Nicholas O'Shea (ACMA CGMA), acting as chair, William Glencross and Paul Forster (FCA). Its role is to:

- Monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and review significant financial reporting judgements contained therein;
- Review the Group's internal financial controls and the Group's internal control and risk management systems;
- Review whether it is appropriate to introduce an internal audit function;
- Make recommendations to the Board for a resolution to be put to the shareholders for their approval in general meetings on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding provision of non-audit services by the external audit firm;
- Advise the Board on whether the annual report is fair, balanced and understandable and provides information necessary for the users to assess the Group's position and performance, business model and strategy;
- Report to the Board on how it has discharged its responsibility.

The Board reviews the work of the Audit Committee annually to ensure it meets the requirements of its role.

The Audit Committee pays particular attention to matters it considers to be important by virtue of their size, complexity, level of judgement and potential impact on the financial statements and wider business model. During the year, the committee undertook a comprehensive review of the Company's compliance with various regulations including those covering Market Abuse, with which they are satisfied that the Company is compliant in all materials aspects. The committee also reviews the management accounts and internal management reports on a regular basis.

During the year, the Audit Committee met to review the outcome from the 2022 audit and the plan for the 2023 audit.

# Creightons Plc Annual Report 2023

## Directors' remuneration report

### Relations with shareholders

The objective of the Board is to create increased shareholder value by growing the business in a way that delivers sustainable improvements in earnings over the medium to long term.

The Board considers the Annual General Meeting as an important opportunity to communicate with private investors in particular. Directors make themselves available to shareholders at the Annual General Meeting, at the presentation of full-year and interim results and on an ad hoc basis, subject to normal disclosure rules.

This report is on the activities of the Remuneration Committee for the year to 31 March 2023. It sets out the remuneration policy and remuneration details for the Executive and Non-executive Directors of the Company. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") as amended in June 2019.

The report is split into three main areas:

- Statement by the chair of the Remuneration Committee;
- Annual report on Directors' remuneration (subject to audit); and
- Policy report.

The policy report was subject to a binding shareholder resolution at the 2022 Annual General Meeting and the policy took effect for the financial year beginning on 1 April 2022. The annual report on Directors' remuneration provides details on remuneration in the period and some other information required by the Regulations. It will be subject to an advisory shareholder vote at the 2023 Annual General Meeting.

The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Directors' remuneration report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual remuneration report that are subject to audit are indicated in that report. The statement by the chair of the Remuneration Committee and the policy report are not subject to audit.

### Statement by the chair of the Remuneration Committee

The Directors' remuneration report has been prepared on behalf of the Board by the Remuneration Committee. The current members of the Remuneration Committee are William Glencross, who is the Chairman of the Committee, Nicholas O'Shea who is a Non-executive Director, and acts as secretary to the committee and Paul Forster.

The Remuneration Committee determines the remuneration of each Executive Director. During the year ended 31 March 2023, the Remuneration Committee agreed changes to the salaries of the Executive Directors in line with other employees, which became effective on 01 April 2022.

It is envisaged that the other remuneration components for Executive Directors for the year ended 31 March 2024 will be similar to those in place for the year ended 31 March 2023.

### Annual report on Directors' remuneration

#### The information provided in this part of the Directors' Remuneration Report is subject to audit

The tables below represent the Directors' remuneration for the years ended 31 March 2023 and 31 March 2022. These emoluments are normally paid in the year except for the bonus payments which are paid following the approval of the financial statements.

#### Executive Directors' remuneration as a single figure

Director	Note	2023					
		Salary and fees	Annual bonuses	Pension	Total	Total Fixed Remuneration	Total Variable Remuneration
		£000's	£000's	£000's	£000's	£000's	£000's
WO McIlroy	1	27	45	-	72	27	45
BJM Johnson	2	92	45	-	137	92	45
P Clark		119	-	6	125	125	-
M Stevens		116	-	9	125	125	-
<b>Total</b>		<b>354</b>	<b>90</b>	<b>15</b>	<b>459</b>	<b>369</b>	<b>90</b>

Mr B Johnson and Mr W McIlroy were each entitled to a bonus of £45,000 (2022:£177,000 before waver) in respect of the year ended 31 March 2023.

## Creightons Plc Annual Report 2023

### Directors' remuneration report (continued)

#### Annual report on Directors' remuneration (continued)

Equity settled share based payments have been included within the bonus figure, and these have been calculated as their intrinsic value as at the date of grant. No grants in the year ended 31 March 2023 met this criteria.

Director	Note	2022					
		Salary and fees	Annual bonuses	Pension	Total	Total Fixed Remuneration	Total Variable Remuneration
		£000's	£000's	£000's	£000's	£000's	£000's
WO McIlroy	1	27	71	-	98	27	71
BJM Johnson	2	92	71	-	163	92	71
P Clark		114	3	6	123	120	3
M Stevens		99	3	9	111	108	3
<b>Total</b>		<b>332</b>	<b>148</b>	<b>15</b>	<b>495</b>	<b>347</b>	<b>148</b>

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

During the year ended 31 March 2023 there were no share options granted to the Directors.

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

Director	2023		2022	
	Number of options	Exercise Price	Number of options	Exercise Price
WO McIlroy	-	-	225,000	97.73p
BJM Johnson	-	-	225,000	97.73p

During the year ended 31 March 2021 share options were granted under the Creightons Plc Share Option Plan 2018, at an exercise price of 36p representing a discount of 14p from the market at the time of grant. The Board considered it appropriate to issue these shares at a discount as an exceptional incentive for these Directors.

#### Non-executive Directors' remuneration as a single figure

Director	Note	2023					
		Salary and fees	Annual bonuses	Taxable benefit	Total	Total Fixed Remuneration	Total Variable Remuneration
		£000's	£000's	£000's	£000's	£000's	£000's
NDJ O'Shea	3	18	-	-	18	18	-
W T Glencross		18	-	2	20	20	-
P Forster		18	-	2	20	20	-
<b>Total</b>		<b>54</b>	<b>-</b>	<b>4</b>	<b>58</b>	<b>58</b>	<b>-</b>

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

**Directors' remuneration report (continued)**

Note

- 1 Mr McIlroy earned a salary of £27,000.
- 2 Mr Johnson earns a salary of £92,000 per annum.
- 3 Mr O'Shea earned a salary of £18,000 for his services as a non-executive Director.
- 4 All other Directors' remuneration is paid directly to the individual Directors.

**Taxable benefits**

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

**Payments for loss of office**

No Executive Directors left the Company during the year ended 31 March 2023 and therefore no payments in respect of compensation for loss of office were paid or payable to any Director (2022: £Nil).

**Share options**

No share options were exercised by Directors during the year ended 31 March 2023.

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

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

During the year ended 31 March 2022 the Company has granted a further 225,000 share options to Mr B Johnson and Mr W McIlroy on 10 November 2021, at an exercise price of 97.73p, the market at the time of grant (the "Grant"). These are shown in the table on page 37 and can be exercised between 2024-2031.

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

There is a vesting period of over 3 years for all share options. The share options were awarded to the Directors as part of the Company's ongoing compensation and remunerations plans as a motivation for continuing to deliver success to the Group, its shareholders and employees. There are no service conditions associated with the award of the share options.

## Creightons Plc Annual Report 2023

### Directors' remuneration report (continued)

#### Directors' shareholdings

The Directors who held office at 31 March 2023 had the following beneficial interests in the 1p ordinary shares of the Company:

Director	At 31 March 2023						
	Shares	Share Options					Total Options held
	Number of shares	Exercise period of 2017 - 2024	Exercise period of 2019 - 2025	Exercise period of 2021 - 2028	Exercise period of 2023 - 2030	Exercise period of 2024 - 2031	
price 5.50p Vested		price 4.50p Vested	price 26.80p Vested	price 36.00p Not vested	price 97.73p Not vested		
Mr W O McIlroy	16,219,275	1,300,000	-	900,000	-	225,000	2,425,000
Mr B JM Johnson	5,245,844	-	-	700,000	-	225,000	925,000
Mr N DJ O'Shea	115,000	-	-	135,000	-	-	135,000
Mr W T Glencross	86,000	-	-	131,500	-	-	131,500
Ms P Clark	851,818	-	-	500,000	200,000	-	700,000
Mr M Stevens	993,758	-	-	218,060	100,000	-	318,060
Mr P Forster	1,032,318	-	-	300,000	100,000	-	400,000

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

Mr Forster disposed of 46,000 shares on 12 April 2022. There have been no other sales of ordinary shares during the period between 31 March 2022 and 30 June 2023.

Director	At 1 April 2022						
	Shares	Share Options					Total Options held
	Number of shares	Exercise period of 2017 - 2024	Exercise period of 2019 - 2025	Exercise period of 2021 - 2028	Exercise period of 2023 - 2030	Exercise period of 2024 - 2031	
price 5.50p Vested		price 4.50p Vested	price 26.80p Vested	price 36.00p Not vested	price 97.73p Not vested		
Mr W O McIlroy	16,219,275	1,300,000	-	900,000	-	225,000	2,425,000
Mr B JM Johnson	5,245,844	-	-	700,000	-	225,000	925,000
Mr N DJ O'Shea	115,000	-	-	135,000	-	-	135,000
Mr W T Glencross	86,000	-	-	131,500	-	-	131,500
Ms P Clark	851,818	-	-	500,000	200,000	-	700,000
Mr M Stevens	993,758	-	-	218,060	100,000	-	318,060
Mr P Forster	1,078,318	-	-	300,000	100,000	-	400,000

All of the above options relate to ordinary shares in Creightons plc. The market prices of these shares are included in the table below.

Market price		
At 31 March 2023	Lowest during period	Highest during period
29.0p	25.4p	64.0p

Mr McIlroy's holding noted above includes 14,450,000 (2022: 14,450,000) shares held in the name of Oratorio Developments Ltd, a private Company of which Mr McIlroy is a Director and controlling shareholder.

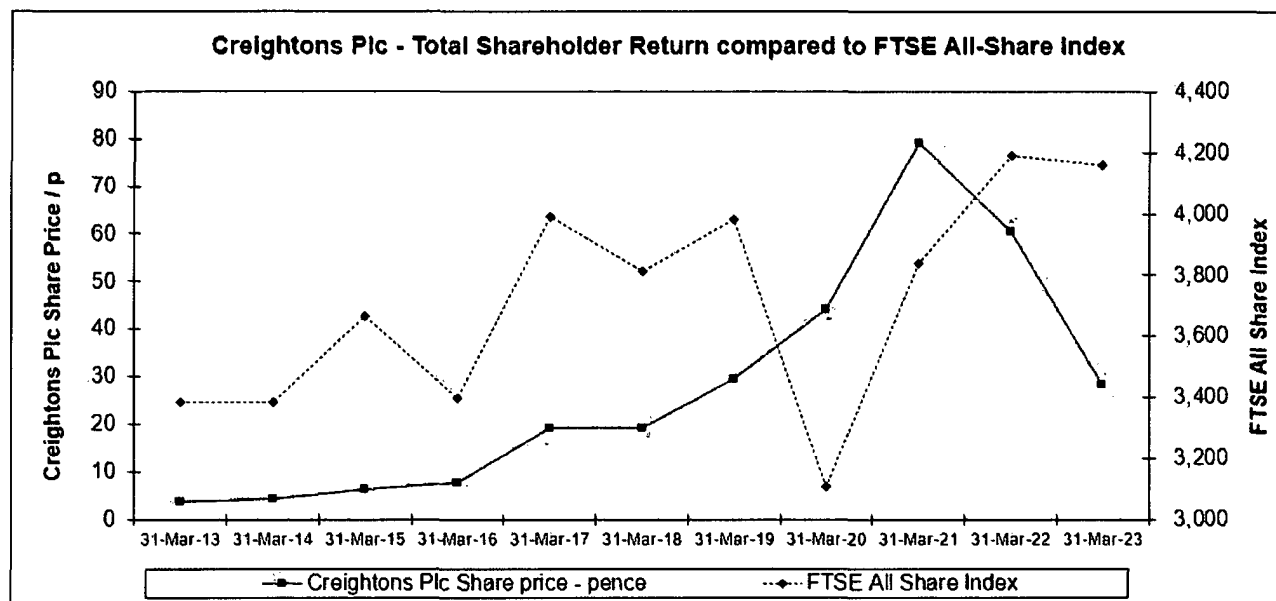
## Creightons Plc Annual Report 2023

### Directors' remuneration report (continued)

**The information provided in this part of the Annual Report on remuneration is not subject to audit**

#### Performance graph and CEO remuneration table

The following graph shows the Group's performance, measured by total shareholder return, compared with the FTSE All-Share index, which the Directors have always considered the most suitable comparator given the small number of quoted companies of a similar size in the Company's sector; and the typical portfolio style of management for most investors, meaning that investments in the Company would be compared against investment portfolios based on FTSE All-Share index performance.



#### Table of Historical Data

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

Year	Single figure of total remuneration £000's	Annual bonus pay-out against maximum %	Share option scheme exercised against maximum %
2023	137	100%	n/a
2022	163	40% after waiver	22%
2021	291	100%	n/a
2020	291	100%	100%
2019	301	100%	0%
2018	177	100%	n/a
2017	170	100%	n/a
2016	156	100%	n/a
2015	47	100%	n/a
2014	29	100%	100%
2013	20	100%	n/a
2012	16	100%	n/a

## Creightons Plc Annual Report 2023

### Directors' remuneration report (continued)

#### Percentage change in remuneration of the Directors and employees

The table below shows the percentage increase in remuneration of the Directors and the Group's employees as a whole between the years ended 31 March 2022 and 31 March 2023.

	2023				2022			
	Salary and fees	All taxable benefits	Annual bonus	Total	Salary and fees	All taxable benefits	Annual bonus	Total
W McIlroy	0.0%	-	(36.6%)	<b>(26.5%)</b>	3.8%	-	(73.2%)	<b>(66.3%)</b>
B Johnson	0.0%	-	(36.6%)	<b>(16.0%)</b>	0.0%	-	(46.6%)	<b>(27.6%)</b>
P Clark	4.4%	-	(100%)	<b>1.6%</b>	4.6%	-	(91.9%)	<b>(19.1%)</b>
M Stevens	17.2%	-	(100%)	<b>12.6%</b>	3.1%	-	(87.0%)	<b>(13.3%)</b>
P Forster	(10.0%)	-	(100%)	<b>(13.6%)</b>	(71.4%)	(66.7%)	(95.7%)	<b>(77.1%)</b>
N O'Shea	0.0%	-	(100%)	<b>(5.3%)</b>	5.9%	-	-	<b>11.8%</b>
W Glencross	5.9%	-	(100%)	<b>0%</b>	(10.5%)	-	-	<b>(5.3%)</b>
Average Employee	11.7%	-	(50.2%)	<b>6.2%</b>	6.7%	0.0%	14.3%	<b>7.3%</b>

	2021			
	Salary and fees	All taxable benefits	Annual bonus	Total
W McIlroy	4.0%	-	33.2%	<b>29.9%</b>
B Johnson	0.0%	-	(33.2%)	<b>(22.7%)</b>
P Clark	18.5%	50.0%	362.5%	<b>46.2%</b>
M Stevens	11.6%	-	187.5%	<b>24.3%</b>
P Forster	(16.7%)	(62.5%)	228.6%	<b>(3.0%)</b>
N O'Shea	(22.7%)	-	-	<b>(22.7%)</b>
W Glencross	5.6%	-	-	<b>5.6%</b>
Average Employee	6.5%	-	(1.8%)	<b>5.8%</b>

#### Pay ratios

The table below sets out the ratio of the highest paid Director to the median, 25<sup>th</sup> and 75<sup>th</sup> percentile full-time equivalent remuneration of the Groups employees.

Year	Method	25 <sup>th</sup> percentile pay ratio	Median pay ratio	75 <sup>th</sup> percentile ratio
2023	Option B	6:1	5:1	4:1
2022	Option B	8:1	7:1	6:1
2021	Option B	14:1	14:1	12:1
2020	Option B	15:1	13:1	11:1

The pay ratio has reduced slightly from previous years due to the reduction in the profit related bonus of the Directors.

Option B under the reporting requirements has been chosen to identify the employees at the median, 25<sup>th</sup> and 75<sup>th</sup> percentiles as it provides the most effective method to identify the reference employees for calculation purposes. The reference employees pay has been calculated from their annual salary, bonuses and pension at the close of the financial year.

In line with the regulations, the following table sets out the total pay and benefits, and the salary element for the highest paid Director and employees at each percentile.

	Base salary £000's	Total pay and benefits £000's
Highest paid Director	92	137
75 <sup>th</sup> percentile employee	30	31
50 <sup>th</sup> percentile employee	24	26
25 <sup>th</sup> percentile employee	21	22

#### Relative importance of spend on pay

The table below shows the total expenditure of the Group for all employees compared to retained profits and distributions to shareholders for the years ended 31 March 2023 and 31 March 2022 and the year on year change.

## Creightons Plc Annual Report 2023

### Directors' remuneration report (Continued)

	Year ended 31 March 2023	Year ended 31 March 2022	Change
	£000's	£000's	%
Employee costs	14,716	15,489	(5.0%)
Profit after tax for the year	514	3,110	(83.5%)
Dividends paid	-	428	(100%)

### Voting at general meeting

The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the reasons for any such vote will be sought, and any actions in response will be detailed here.

The following table sets out actual voting in respect of the approval of the Directors' Remuneration report and policy in respect of the year ended 31 March 2022,

Resolution	Number of votes cast for	% of votes cast for	Number of votes cast against	% of votes cast against	Total votes cast	Number of votes cast withheld
<b>Directors' Remuneration Report</b>	24,819,447	99.13%	210,590	0.84%	25,036,804	6,767
<b>Directors' Remuneration Policy</b>	24,817,269	99.12%	212,768	0.85%	25,036,804	6,767

### Policy report

#### Remuneration Committee

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

#### Consideration by the Directors of matters relating to Directors' remuneration

The members of the Committee were Nicholas O'Shea, William Glencross and Paul Forster. In determining the Directors' remuneration, the Committee consulted the Chairman. There has been one meeting of the Committee during the period, attended by Mr Glencross, Mr O'Shea and Mr Forster. The committee has considered market rates and increases awarded to all employees in determining the base salary increases for the executive Directors. The Committee has not sought advice from any consultants during the period.

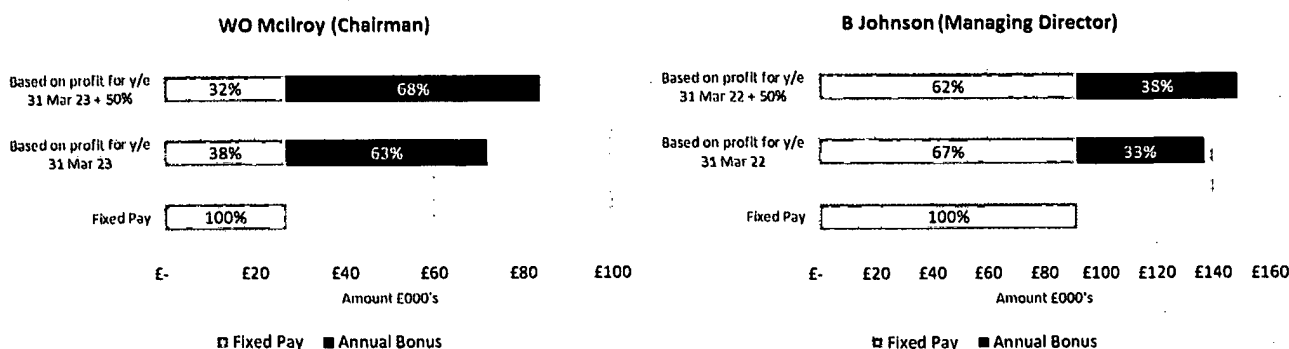
#### Statement of consideration of employee employment conditions elsewhere in the Company

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

#### Illustrations of application of the Remuneration Policy

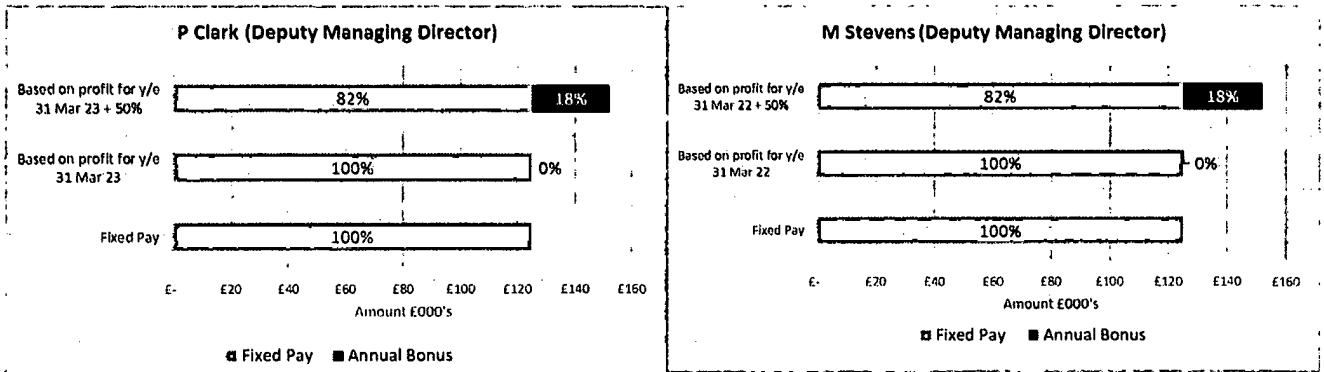
Under the Remuneration Policy a significant portion of the remuneration is variable for Mr McIlroy and Mr Johnson. The variable element of the remuneration is directly linked to the profit of the Group as detailed in the policy below. The remuneration for Ms Clark and Mr Stevens is reviewed in line with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

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



**Directors' remuneration report (Continued)**

**Policy report (continued)**



Note: The bonuses for Directors are uncapped and directly related to profits. The charts above illustrate the level of remuneration based on the level of profit as at 31 March 2023 and an increase in profit of 50% from this level. These bonuses are not impacted by an increase in the share price.

**Statement of implementation of remuneration policy in the following financial year**

There has been no change to the Directors' remuneration policy during the year ended 31 March 2023.

**Policy on Directors' remuneration**

The policy of the Company on executive remuneration including that for Executive Directors is to reward individual performance and motivate and retain existing Executive Directors so as to promote the best interests of the Group and enhance shareholder value. The remuneration packages for executives and Executive Directors include a basic annual salary, performance related bonus and a share option programme. The remuneration packages for Non-executive Directors include a salary or fee. The Committee has reviewed the policy for the year ahead and has concluded that the key features of the remuneration policy remain appropriate.

In setting Executive Directors' remuneration, the Committee is mindful of the pay and conditions enjoyed by other employees. It considers revisions to their arrangements only when other employees' pay and conditions are also reviewed, and this is always done in the light of market conditions and overall Group performance. However, the Committee does not automatically increase the pay and conditions for Directors in line with either inflation or at the same rate that those for other employees may be increased.

Both Executive and Non-executive Directors may accept appointment as Directors of other companies and retain any fees paid to them, although Directors are required to notify the Company of all such appointments and may not accept appointments which would be incompatible with their role with the Group, such as with direct competitors or major suppliers and customers.

**Salary and benefits**

Executive Directors' salary and benefits packages are determined by the Committee on appointment or when responsibilities or duties change substantially, and are reviewed annually in line with those of employees. The last review was undertaken during 2022 and the Directors received pay increases and bonuses in line with other employees of the Group. The Committee considers that improved performance should be recognised by achievement of performance bonuses. Whilst no absolute maximum is prescribed, increases will take account of other salary increases across the Group. However, in certain circumstances, including changing roles and responsibilities, market levels and individual and group performance, the committee will have discretion to award larger increases.

**Pensions**

Pension contributions for Executive Directors are broadly in line with other employees. Contracts for Ms Clark and Mr Stevens include contributions to an auto-enrolment pension and fixed defined contributions to Company pension schemes. Pension contributions for the year ended 31 March 2023 were as follows; Ms Clark £6,000 and Mr Stevens £9,000.

## Directors' remuneration report (Continued)

### Policy report (continued)

#### Directors' performance bonuses

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

Both Mr McIlroy and Mr Johnson have contracts which provide for bonuses should the Group achieve profitability, and Mr McIlroy's also provides for a bonus should a complete or partial sale of the Group's toiletries business be achieved. The profit criterion was met in 2023, and as a consequence, provision for payment of the profit related performance bonus has been made in the financial statements, and will be paid as required by the contracts within one month of the approval and publication of these financial statements.

The contract for Mr McIlroy's services as a Director provides for a bonus to be paid after the deduction of tax and National Insurance by the Company to Oratorio Developments Ltd in respect of the Group's net profits before tax at the rate of 12.5% in respect of net profits up to £50,000, 7.5% of net profits between £50,001 and £100,000, and 5% of net profits in excess of £100,000. During the year, a bonus of £45,000 was payable for Mr McIlroy. During the previous year a bonus of £177,000 was payable to Mr McIlroy. He chose to waive £106,000 (60%) of his bonus for the year ended 31 March 2022. 40% was waived to allow for employee bonuses and 20% was fully waived for the year ended 31 March 2022.

A further bonus of 10% of the net sale proceeds is also payable to Oratorio Developments Ltd if the Company sells the whole of the toiletries business undertaken by the Company at 16 January 2002 for a price in excess of £1,500,000, or if the Company sells a part of that toiletries business for a price in excess of £500,000 and the net book value of the assets disposed of is less than one-third of the value of the net assets of the Company.

The contract for Mr Johnson's services as a Managing Director provides for a performance bonus to be paid after the deduction of tax and National Insurance by the Company to Carty Johnson Limited in respect of the Group's net profits before tax at the rate of 12.5% in respect of net profits up to £50,000, 7.5% of net profits between £50,001 and £100,000, and 5% of net profits in excess of £100,000. During the year, a bonus of £45,000 was payable for Mr Johnson. During the previous year, a bonus of £177,000 was payable to Mr Johnson. Mr Johnson waived £106,000 (60%) of his bonus for the year ended 31 March 2022. 40% was waived to allow for employee bonuses and 20% was fully waived for the year ended 31 March 2022.

The contracts for Ms Clark and Mr Stevens include a Group bonus scheme, where employees are entitled to a bonus of 7.5% of basic pay if the Group hits the profit target for the period and additional payments of up to 14% of earnings (10% for other employees) in relation to key performance indicator targets which were partially achieved during the year. No bonus was payable to either Ms Clark and Mr Stevens in respect of the year ended 31 March 2023 (2022: Ms Clark £3,000 and Mr Stevens £3,000).

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

#### Share option schemes

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

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

#### Recruitment

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

#### Loss of office

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

## Creightons Plc Annual Report 2023

### Directors' remuneration report (Continued)

#### Policy report (continued)

#### Service contracts

Name of Director	Date of service contract	Date contract last amended	Notice period
WO McIlroy (chairman's contract)	6 Feb 2003	1 Apr 2023	12 months
WO McIlroy (Director's contract with employer)	16 Jan 2002	1 Apr 2023	12 months
BJM Johnson (Director's contract)	16 Jan 2002	1 Apr 2023	12 months
BJM Johnson (manager's contract with employer)	16 Jan 2002	1 Apr 2023	12 months
NDJ O'Shea (non-executive)	5 Jul 2001	1 Apr 2023	3 months
WT Glencross (non-executive)	31 Jul 2005	1 Apr 2023	3 months
P Clark (Deputy Managing Director)	9 Feb 2015	1 Apr 2023	3 months
M Stevens (Deputy Managing Director)	9 Feb 2015	1 Apr 2023	3 months
P Forster (non-executive from 1 April 2021)	1 Apr 2021	1 Apr 2023	3 months

All contracts were revised on 1 April 2023 to reflect current legislation and salaries.

It is the Company's policy that service contracts for the Directors are for an indefinite period, terminable by either party with a maximum period of notice of either 3 months or 12 months. Any payments in lieu of notice should not exceed the Director's salary or fees for the unexpired term of the notice period. Within that policy, information relating to individual Directors is scheduled above.

The fees for Non-executive Directors are reviewed annually and determined in the light of market practice and with reference to the time commitment and responsibilities associated with each Non-executive Director's role and responsibilities.

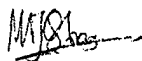
The Board as a whole considers the policy and structure for the Non-executive Directors' fees on the recommendation of the Chairman. The Non-executive Directors do not participate in discussions on their specific levels of remuneration.

Non-executive Directors are eligible for share options but may not participate in any personal performance bonus, and are only eligible for statutory contributions to workplace pensions. The fees paid for Non-executive Directors consist of a flat annual fee based on the involvement each is anticipated to be required to commit to the Group, together with the Group-wide bonus relating to the Group's overall performance that all employees are entitled to, and both the time commitments and fee basis are reviewed annually. Any additional time commitments over these are paid on a pro rata per diem basis. The fees paid for the Chairman and Non-executive Directors also include an element of profit-related bonus based on the overall performance of the Group and for the Chairman of sales value related bonus for the disposal of all or parts of the toiletries business.

#### Approval

In the opinion of the Remuneration Committee, the Company has complied with Section D of the Code, and in forming the remuneration policy the Committee has given full consideration to that section of the Code.

The Directors' Remuneration Report was approved by the Board of Directors on 06 July 2023 and signed on its behalf by:



Mr Nicholas O'Shea  
Remuneration Committee

## Creightons Plc Annual Report 2023

### Directors' responsibilities statement

The Directors whose names and functions are set out on page 101 of this document are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' confirmations

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent Company's position and performance, business model and strategy. Each of the Directors, whose names and functions are listed in Directors and Advisers on page 101 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.

## Creightons Plc Annual Report 2023

### Independent auditor's report to the members of Creightons Plc

#### Opinion

We have audited the financial statements of Creightons Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Company statement of comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated cash flow statement, the Company cash flow statement, and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Inspecting the terms of loan agreements and financing facilities for covenants, and assessing the extent to which they are restrictive and have been accurately included in severe but plausible scenarios;
- Inspecting the changes in the terms and conditions of financing facilities and covenants, and any changes in the terms that may impact conclusions in relation to material uncertainties; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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

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

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

## Creightons Plc Annual Report 2023

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Key Audit Matter	How our scope addressed this matter
<p><b>Revenue recognition</b></p> <p>The Group's accounting policy for revenue recognition is set out in the accounting policy notes on pages 66-67.</p> <p>Revenue is material for the Group and represents the largest figure in the Consolidated statement of comprehensive income. An error in this balance could significantly affect a user's interpretation of the financial statements.</p> <p>For the Group, we identify the risk around revenue recognition as being in relation to cut off, due to the potential to inappropriately shift the timing and basis of revenue recognition.</p> <p>Due to revenue being a key benchmark in a user's assessment of the performance of the Group, we consider revenue recognition to be a key audit matter.</p>	<p><u>For PMI trading revenue:</u></p> <p>We addressed this risk by performing the following:</p> <ul style="list-style-type: none"> <li>• reviewing the design and implementation of the controls in place surrounding revenue recognition, in particular in relation to cut off;</li> <li>• obtaining and reviewing the revenue recognition policy to ensure they comply with the requirements of IFRS 15;</li> <li>• we have reviewed adjustments to revenue to ensure these are in accordance with IFRS 15; and</li> <li>• sample testing over sales incurred in the week either side of the year end for both UK and overseas sales within the UK trading subsidiary – agreeing ledger details back to the applicable customer order and trading terms, sales invoice and signed proof of delivery for UK customers, and signed customer collection notice for overseas customers, to ensure revenue was recognised in the same period in which control of the goods was transferred to the customer in line with the Group's stated policy.</li> </ul> <p><u>Our observations:</u></p> <p>Based on the results of our procedures performed, we consider revenue recognition is appropriate, and in line with the Group accounting policy described on pages 66-67.</p>
<p><b>Inventory provision – valuation</b></p> <p>There is a risk that inventory is overstated due to management's judgement on potentially obsolete, damaged and slow-moving items in determining the net realisable value. The value of the provision as at 31 March 2023 is £1,014k (31 March 2022: £1,261k). Refer to page 72 (note 3 Critical accounting judgements and sources of estimation uncertainty) and note 18 (Inventories) for financial disclosures.</p> <p>Due to the inventory being a material balance in the Group, and the judgement used in calculating the inventory provision, we consider this to be a key audit matter.</p>	<p>We addressed this risk by performing the following:</p> <ul style="list-style-type: none"> <li>• Obtaining, reviewing and challenging the inventory provision policy implemented by the Group, and performing a sample test to ensure compliance with the policy;</li> <li>• valuation testing with NRV recalculation, comparing purchase cost to sales proceeds in the subsequent period in order to obtain assurance that inventories are being held at the lower of cost and net realisable value;</li> <li>• during our attendance of stock takes, we documented our review of any obsolete, slow moving or damaged inventory items, as well as the condition of the warehouse, with no such items or issues noted;</li> <li>• we obtained an understanding of, and challenged the assumptions used, in</li> </ul>

	<p>management's processes with regards to the calculation of the year end inventory provision;</p> <ul style="list-style-type: none"> <li>• we re-performed the calculation of the inventory write-off provision and confirmed its accuracy and mathematical logic;</li> <li>• we obtained and reviewed the underlying historical data used in the provision calculation and confirmed that this was accurate and correctly applied; and</li> <li>• we performed a stand-back review considering relevant internal and external factors in our assessment of the appropriateness of the methodology and valuation of the inventory provision.</li> </ul> <p><u>Our observations:</u></p> <p>We considered management's judgement on the level of provisioning to be reasonable and in line with the Group accounting policy as described on page 72.</p>
<p><b>Brand Valuation and goodwill valuation</b></p> <p><b>Emma Hardie:</b>  <b>Brand Value: £5.1m</b>  <b>Goodwill-Deferred tax: £1.3m</b></p> <p><b>Brodie &amp; Stone</b>  <b>Brand Value: £4.9m</b>  <b>Goodwill-Deferred tax: £1.2m</b></p> <p>The group's accounting policy for goodwill and impairment is set out in the accounting policies noted to the financial statements.</p> <p>Non-amortising intangibles are subject to annual impairment review, to assess whether the value in use (VIU) is in excess or equal to the carrying value of assets, or whether any impairment is required. Significant assumptions are made in the VIU model, as an individual cash generating unit (CGU), prepared by management for the basis of their assessment. There is inherent uncertainty involved in forecasting and discounting future cash flows. There may be significantly different outcomes of the assessment if different assumptions were applied in the model, therefore greater level of management judgement is involved in determining the appropriateness of assumptions. This is considered to be a significant risk given the material value of non-amortising intangibles in the group financial statements.</p> <p>Due to the brand and goodwill value being a material balance in the Group, and the judgement used impairment calculation, we consider this to be a Key Audit Matter.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We engaged our internal impairment team as auditor's specialist to review management's impairment review in line with IAS 36;</li> <li>• We confirmed the relevant knowledge and sector experience of our internal specialist team;</li> <li>• We assessed the appropriateness of the main assumption inputs used by management in their cash flow model being the discount rate, the year-on-year growth rates, and terminal growth rates, including comparison to economic and industry forecasts to ensure assumptions used are reasonable;</li> <li>• We reviewed and challenged management's impairment model to assess the impairment of the Emma Hardie and Brodie &amp; Stone CGUs ;</li> <li>• We reviewed the impairment model, looking for any disconfirming evidence in post year end data and market information;</li> <li>• We performed sensitivity analysis on the key assumptions and cash flows used within the impairment model to assess the break-even scenario that would trigger an impairment;</li> <li>• We re-performed management's impairment model to confirm its mathematical accuracy;</li> <li>• We provided an assessment on the appropriateness of management's methodology applied in the impairment model against the requirements of the relevant standard (i.e. IAS 36);</li> <li>• We reviewed the historical accuracy of forecasting to actual results;</li> <li>• We reviewed the forecast information included in the impairment calculation, and</li> </ul>

## Creightons Plc Annual Report 2023

	<p>whether this is consistent with that provided in other areas of the audit;</p> <ul style="list-style-type: none"><li>• We performed a stand back review considering relevant internal and external factors including disconfirming information in our assessment of the appropriateness of the methodology and asset valuation;</li><li>• We engaged with our valuation team to perform a review of the inputs in the Weight Average Cost of Capital (WACC) calculation; and</li><li>• We obtained and challenged management's reassessment of the purchase price allocation.</li></ul> <p><b>Our observations</b></p> <p>Based on the results of our procedures performed, we consider management's impairment review as appropriate, and in line with the Group accounting policy described on page 72.</p>
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### Our application of materiality and an overview of the scope of our audit

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

## Creightons Plc Annual Report 2023

### Group materiality

Overall materiality	£351k
How we determined it	0.6% of Revenue
Rationale for benchmark applied	Revenue was used as the benchmark for materiality in the current year as lower profits were made due to inflationary pressures on the group, however revenue has remained consistent year on year and therefore the revenue benchmark was selected to reflect this.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £246k, which represents 70% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £11k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Parent company materiality

Overall materiality	£188k
How we determined it	Materiality has been determined with reference to a benchmark of total equity, of which it represents 3%.
Rationale for benchmark applied	We used total equity to calculate our materiality as, in our review, this is the most relevant measure of the underlying financial position of the parent Company for this year end as a holding company.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be set at approximately 70% of our financial statement materiality, representing a value of £132k.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £5.6k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Our Group audit scope included an audit of the group and parent company financial statements of Creightons plc. Based on our risk assessment, Creightons plc and Potter & Moore Innovations Limited within the group were subject to full scope audit, which was performed by the group audit team. The group audit team obtained external bank confirmations

## Creightons Plc Annual Report 2023

for all bank accounts held within the group regardless if the entity was subject to a full scope audit to gain necessary assurance over the consolidated cash position as at the 31 March 2023. Stock held in Potter and Moore PTY and Emma Hardie Limited represented a material figure to the consolidation. For Potter and Moore PTY we engaged component auditors to attend a physical stock take. All stock held in Emma Hardie was in external locations and therefore the group audit team received external confirmation of the balances and the controls around the stock held at Emma Hardie. We then audited the reconciliation from the external stock listing to the internal stock listing.

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

### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

*Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.*

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

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

### Matters on which we are required to report by exception

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

## Creightons Plc Annual Report 2023

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

### Corporate governance statement

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

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

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 23;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate, set out on page 29;
- Directors' statement on fair, balanced and understandable, set out on page 24;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 10-12;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 33; and;
- The section describing the work of the audit committee, set out on page 33.

### Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 44, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

## Creightons Plc Annual Report 2023

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

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

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

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

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

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

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

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Creightons Plc Annual Report 2023

### Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 24 November 2020 to audit the financial statements for the year ending 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ending 31 March 2021 to date.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

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

### Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Stephen Brown (Jul 6, 2023 17:57 GMT+1)

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

Date Jul 6, 2023

## Creightons Plc Annual Report 2023

### Consolidated income statement

		Year ended 31 March 2023	Year ended 31 March 2022
	Note	£000	£000
Revenue	4,5	58,567	61,157
Cost of sales		(34,219)	(35,001)
Gross profit		24,348	26,156
Distribution costs		(3,902)	(3,535)
Administrative expenses		(18,862)	(18,256)
Exceptional items - Redundancy costs	7	(165)	-
Operating profit	6	1,419	4,365
Exceptional items - Acquisition costs	8	(312)	(602)
Finance costs	9	(420)	(308)
Profit before tax		687	3,455
Taxation	10	(173)	(345)
Profit for the year from operations attributable to the equity shareholders		514	3,110

### Consolidated statement of comprehensive income

		Year ended 31 March 2023	Year ended 31 March 2022
		£000	£000
Profit for the year		514	3,110
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations		(9)	(7)
Other comprehensive income for the year		(9)	(7)
Total comprehensive income for the year attributable to the equity shareholders		505	3,103

### Earnings per share

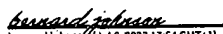
		Year ended 31 March 2023	Year ended 31 March 2022
	Note		
Basic	12	0.74p	4.62p
Diluted	12	0.65p	3.98p

## Creightons Plc Annual Report 2023

### Consolidated balance sheet

		31 March	31 March
		2023	2022
	Note	£000	£000
<b>Non-current assets</b>			
Goodwill	13	2,857	2,853
Other intangible assets	14	10,894	10,867
Property, plant and equipment	15	5,890	6,065
Right-of-use assets	16	1,285	1,120
		<b>20,926</b>	<b>20,905</b>
<b>Current assets</b>			
Inventories	18	10,228	12,479
Trade and other receivables	19	12,733	13,624
Cash and cash equivalents	20	1,653	840
		<b>24,614</b>	<b>26,943</b>
<b>Total assets</b>		<b>45,540</b>	<b>47,848</b>
<b>Current liabilities</b>			
Trade and other payables	22	9,836	10,127
Corporation tax payable	22	3	-
Lease liabilities	23	373	303
Borrowings	24	2,502	2,663
Deferred and contingent consideration	8	-	1,187
		<b>12,714</b>	<b>14,280</b>
<b>Net current assets</b>		<b>11,900</b>	<b>12,663</b>
<b>Non-current liabilities</b>			
Deferred tax liability	31	2,942	2,640
Lease liabilities	23	917	864
Borrowings	24	3,488	4,386
		<b>7,347</b>	<b>7,890</b>
<b>Total liabilities</b>		<b>20,061</b>	<b>22,170</b>
<b>Net assets</b>		<b>25,479</b>	<b>25,678</b>
<b>Equity</b>			
Share capital	25	700	697
Share premium account		2,022	1,951
Merger reserve		2,476	2,476
Treasury shares	8	(576)	-
Other reserves		(211)	(211)
Translation reserve		14	23
Retained earnings		21,054	20,742
<b>Total equity attributable to the equity shareholders of the parent Company</b>		<b>25,479</b>	<b>25,678</b>

These financial statements were approved by the Board of Directors and authorised for issue on 06 July 2023. They were signed on its behalf by:

  
bernard.johnson@creightons.com (Jul 6, 2023 17:54 GMT+1)  
 Bernard Johnson  
 Managing Director

## Creightons Plc Annual Report 2023

### Company balance sheet

		31 March	31 March	31 March
		2023	2022	2021
			Restated	Restated
	Note	£000	£000	£000
<b>Non-current assets</b>				
Investment in subsidiaries	17	1,199	1,098	768
Investment property	15	3,310	3,521	3,731
		<b>4,509</b>	<b>4,619</b>	<b>4,499</b>
<b>Current assets</b>				
Trade and other receivables	19	4,256	4,476	1,872
Cash and cash equivalents	20	26	255	1
		<b>4,282</b>	<b>4,731</b>	<b>1,873</b>
<b>Total assets</b>		<b>8,791</b>	<b>9,350</b>	<b>6,372</b>
<b>Current liabilities</b>				
Trade and other payables	22	53	100	97
Borrowings	24	178	172	166
		<b>231</b>	<b>272</b>	<b>263</b>
<b>Net current assets</b>		<b>4,051</b>	<b>4,459</b>	<b>1,610</b>
<b>Non-current liabilities</b>				
Borrowings	24	2,289	2,471	2,646
		<b>2,289</b>	<b>2,471</b>	<b>2,646</b>
<b>Total liabilities</b>		<b>2,520</b>	<b>2,743</b>	<b>2,909</b>
<b>Net assets</b>		<b>6,271</b>	<b>6,607</b>	<b>3,463</b>
<b>Equity</b>				
Share capital	25	700	697	648
Share premium account		2,022	1,951	1,410
Merger reserve		2,476	2,476	-
Treasury shares	8	(576)	-	-
Capital redemption reserve		18	18	18
Other reserves		(236)	(236)	-
Retained earnings brought forward		1,802	1,289	938
Profit for the year		65	412	449
<b>Total equity attributable to the equity shareholders</b>		<b>6,271</b>	<b>6,607</b>	<b>3,463</b>

These financial statements were approved by the Board of Directors and authorised for issue on 06 July 2023. They were signed on its behalf by:

The Company's profit for the year was £65,000 (2022: 412,000). The Company has elected to take the exemption permitted under Section 408 of the companies Act 2006 not to present the Company's profit and loss account.

*bernard johnson*  
bernard.johnson (Jul 6, 2023 17:54 GMT+1)

Bernard Johnson  
Managing Director

Company registration number 01227964

**Creightons Plc Annual Report 2023**

**Consolidated statement of changes in equity**

	Share capital (note 25)	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 2021	648	1,410	-	-	25	30	17,973	20,086
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	-	3,110	3,110
Exchange differences on translation of foreign operations	-	-	-	-	-	(7)	-	(7)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(7)	<b>3,110</b>	<b>3,103</b>
<b>Contributions by and distributions to owners</b>								
Exercise of options	23	541	-	-	-	-	-	564
Shares issued on acquisitions	26	-	2,476	-	-	-	-	2,502
Purchase of own shares by EBT	-	-	-	-	(236)	-	-	(236)
Share-based payment charge	-	-	-	-	-	-	330	330
Deferred tax through Equity	-	-	-	-	-	-	(243)	(243)
Dividends	-	-	-	-	-	-	(428)	(428)
<b>Total contributions by and distributions to owners</b>	<b>49</b>	<b>541</b>	<b>2,476</b>	<b>-</b>	<b>(236)</b>	<b>-</b>	<b>(341)</b>	<b>2,489</b>
<b>At 31 March 2022</b>	<b>697</b>	<b>1,951</b>	<b>2,476</b>	<b>-</b>	<b>(211)</b>	<b>23</b>	<b>20,742</b>	<b>25,678</b>
<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)	<b>514</b>	<b>505</b>
<b>Contributions by and distributions to owners</b>								
Exercise of options	3	71	-	-	-	-	-	74
Purchase of own shares (Note 8)	-	-	-	(576)	-	-	-	(576)
Share-based payment charge (note 26)	-	-	-	-	-	-	101	101
Deferred tax through Equity (note 31)	-	-	-	-	-	-	(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>

The balance of £2,476,000 of 'Shares issued on acquisitions' has been transferred to the merger reserve from Share premium as required by Section 612 of the Companies Act 2006. This has been represented in the prior year to show the amounts as a separate reserve within equity.

**Consolidated statement of changes in equity (continued)**

**Share capital**

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

**Share premium account**

Amount subscribed for share capital in excess of nominal value.

**Merger reserve**

The excess of the nominal value of the shares issued to the shareholders upon the acquisition of Emma Hardie and Brodie & Stone businesses.

**Treasury shares**

Purchase of the Company's own shares.

**Capital redemption reserve**

Non-distributable reserves following the purchase of Company's own shares.

**Other reserves**

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

**Translation reserve**

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

**Retained earnings**

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

**Creightons Plc Annual Report 2023**

**Company statement of changes in equity**

	Share capital (note 25)	Share premium account	Merger reserve	Treasury shares	Capital redemption reserve	Other reserves	Retained earnings	Total equity
	£000	£000		£000	£000	£000	£000	£000
							Restated	
As previously disclosed at 1 April 2021							679	679
Prior year restatement							708	708
At 1 April 2021	648	1,410	-	-	18	-	1,387	3,463
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	-	412	412
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	412	412
<b>Contributions by and distributions to owners</b>								
Exercise of options	23	541	-	-	-	-	-	564
Share based payment charge restated	-	-	-	-	-	-	330	330
Shares issued on acquisitions	26	-	2,476	-	-	-	-	2,502
Purchase of own shares by EBT	-	-	-	-	-	(236)	-	(236)
Dividends paid (note 11)	-	-	-	-	-	-	(428)	(428)
<b>Total contributions by and distributions to owners</b>	49	541	2,476	-	-	(236)	(98)	2,732
<b>Restated as at 31 March 2022</b>	697	1,951	2,476	-	18	(236)	1,701	6,607
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	-	65	65
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	65	65
<b>Contributions by and distributions to owners</b>								
Exercise of options	3	71	-	-	-	-	-	74
Share based payment charge	-	-	-	-	-	-	101	101
Shares issued on acquisitions	-	-	-	-	-	-	-	-
Purchase of own shares (note 8)	-	-	-	(576)	-	-	-	(576)
Dividends paid (note 11)	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	3	71	-	(576)	-	-	101	(401)
<b>At 31 March 2023</b>	700	2,022	2,476	(576)	18	(236)	1,867	6,271

The balance of £2,476,000 of 'Shares issued on acquisitions' has been transferred to the merger reserve from Share premium as required by Section 612 of the Companies Act 2006. This has been represented in the prior year to show the amounts as a separate reserve within equity.

**Creightons Plc Annual Report 2023**

**Consolidated cash flow statement**

	Note	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
<b>Profit from operations</b>		<b>1,419</b>	<b>4,365</b>
Adjustments for:			
Depreciation on property, plant and equipment	15	1,000	888
Depreciation on right of use assets	16	294	256
Amortisation of intangible assets	14	288	435
Loss/(Profit) on disposal of Right of Use assets	6	34	(10)
Share based payment charge	26	101	330
		<b>3,136</b>	<b>6,264</b>
Decrease/(increase) in inventories	18	2,250	(2,515)
Decrease/(increase) in trade and other receivables		776	(1,820)
(Decrease)/increase in trade and other payables		(288)	59
<b>Cash generated from operations</b>		<b>5,874</b>	<b>1,980</b>
Taxation paid		(62)	(575)
<b>Net cash generated from operating activities</b>		<b>5,812</b>	<b>1,413</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	15	(825)	(1,106)
Purchase of right-of-use assets	16	-	(286)
Proceeds from sale and lease back		-	264
Purchase of intangible assets	14	(315)	(338)
Acquisition of Brodie & Stone	8	(75)	(3,507)
Acquisition of Emma Hardie	8	(1,424)	(2,775)
Exceptional costs in relation to acquisitions	8	-	(343)
<b>Net cash used in investing activities</b>		<b>(2,639)</b>	<b>(8,091)</b>
<b>Financing activities</b>			
Proceeds on issue of shares	25	74	564
Cancellation of leases	23	(35)	-
Principal paid on lease liabilities	23	(436)	(240)
Interest on lease liabilities	9	-	(117)
Interest paid on mortgage loan	9	-	(83)
Interest paid on overdrafts	9	-	(108)
Increase in invoice financing facilities	30	290	1,267
(Decrease)/increase of borrowings	30	(600)	495
Draw down of loan facility	30	-	3,000
Repayment on term loan	30	(816)	(314)
Repayment on mortgage loan facility	30	(252)	(169)
Dividends paid to owners of the parent	11	-	(428)
Purchase of own shares via EBT	34	-	(236)
Purchase of shares - Share buy back	8	(576)	-
Repayment of debt - Emma Hardie	8	-	(2,201)
Repayment of debt - Brodie & Stone	8	-	(463)
<b>Net cash generated from/(used in) financing activities</b>		<b>(2,351)</b>	<b>967</b>
<b>Net increase in cash and cash equivalents</b>		<b>872</b>	<b>(5,711)</b>
Cash and cash equivalents at start of year		840	6,558
Effect of foreign exchange rate changes		(9)	(7)
<b>Cash and cash equivalents at end of year</b>		<b>1,653</b>	<b>840</b>

**Creightons Plc Annual Report 2023**

**Company cash flow statement**

		Year ended 31 March	Year ended 31 March
		2023	2022
	Note	£000	£000
<b>Profit from operations</b>		142	116
		<b>142</b>	<b>116</b>
Adjustments for:			
Depreciation on property, plant and equipment	15	211	210
		<b>353</b>	326
Decrease/(increase) in trade and other receivables		220	(2,604)
(Increase)/decrease in trade and other payables		(3)	9
<b>Cash generated from operations</b>		<b>570</b>	<b>(2,269)</b>
Taxation paid		(45)	(55)
<b>Net cash generated from operating activities</b>		<b>525</b>	<b>(2,324)</b>
<b>Investing activities</b>			
Dividend received		-	428
<b>Net cash (used in)/generated investing activities</b>		<b>-</b>	<b>428</b>
<b>Financing activities</b>			
Proceeds of share issue	25	74	3,066
Repayment on loan facility		(252)	(169)
Interest paid on mortgage loan		-	(83)
Dividends paid to owners of the parent	11	-	(428)
Purchase of own shares via EBT	34	-	(236)
Purchase of shares - EH buy back	8	(576)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>(754)</b>	<b>2,150</b>
<b>Net change in cash and cash equivalents</b>		<b>(229)</b>	<b>254</b>
Cash and cash equivalents at start of year		255	1
<b>Cash and cash equivalents at end of year</b>		<b>26</b>	<b>255</b>

# Creightons Plc Annual Report 2023

## Notes to the financial statements

### 1. General information

Creightons Plc (the Company) is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 101. It is a public Company, with a premium listing on the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 3 to 23.

### 2 Significant accounting policies

#### Basis of accounting

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

The IFRSs applied in the Group financial statements are subject to ongoing amendment by the IASB and therefore subject to possible change in the future. Further standards and interpretations may be issued that will be applicable for financial years beginning on or after 1 April 2023 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 2023.

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.

The following table summarises the impact of the prior period error on the financial statements of the Company. Further detail is provided in note 17. This does not impact the prior period basic and diluted earnings per share presented in note 12.

	Year ended 31 March 2022
	£000
<b>Company statement of profit or loss:</b>	
Increase in profit for the financial year	Nil
<b>Company statement of financial position:</b>	
Increase in Net assets	1,038

**Notes to the financial statements**

**2 Significant accounting policies (continued)**

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), made up to the 31 March each year, as set out in note 17. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

**Going concern**

Whilst the Group has faced a number of challenges due to the current economic climate, it has exhibited improved performance for the second half of the year due to remedial actions taken by management as explained in the Chairman's statement and operational highlights on pages 1 to 6. The Groups gross margin is recovering after securing price increases from customers, improved production efficiencies and a stabilisation in the rate of cost increases. Processes are in place to continue to review customer margins and to recover any increases from customers through selling price increases, product reengineering and other cost mitigation measures. The benefit of the margin improvement and overhead reduction programme has been evident in the second half performance of the year to 31 March 2023.

The Group continues to meet its debt obligations and expects to operate comfortably within its available borrowing facilities for the next 3 years. This assessment is based on our ability to retain existing borrowing facilities and assuming moderate top line sales growth.

The going concern assessment included various sensitivity analysis including the loss of the Group's largest customer. In the unlikely event that all of this business was lost, this would be mitigated by reduced production and warehouse, stock holding and account management costs. The Group has a long standing relationship with its customer base and is actively working on new briefs in targeting growth. Additionally, other scenarios examined increasing cost of sales by 20% and separately increases in overhead costs by 20%.

The Group also has a disaster recovery plan and would be able to transfer part of its production between sites should the need arise. There are also good relationships with suppliers and customers to enable the business to mitigate any supply chain issues. The Group possess adequate insurance cover to mitigate the impact of severe adverse scenarios on business interruption, plant and machinery, stock and buildings.

In the extreme scenario, should turnover reduce the Group could consolidate production on to a single site providing an overhead cost reduction.

The Group continues to monitor the long term impacts of climate change and these are set out in the Task Force on Climate - related Financial disclosures (TCFD) report and Risk Management and Sustainability sections of the Strategic Report. The Group believes the impact of climate change will not have a material impact to long term viability of the business but rather an opportunity to provide our customers with sustainable solutions.

The Directors have therefore formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being at least twelve months from the date of this report. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

## Notes to the financial statements

### 2. Significant accounting policies (continued)

#### Business combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the acquirer, less liabilities incurred in exchange for control of the entity acquired. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except:

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date;
- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired entity, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the fair value of the acquirer's previously held interests in the acquired entity (if any), the excess is recognised immediately in profit or loss as a purchase gain. When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

#### Goodwill, intangible assets and brand value with indefinite lives

Goodwill, intellectual property and brand value is initially recognised and measured as set out above.

These assets are not amortised but are reviewed for impairment at least annually. For the purposes of impairment testing, these assets are allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversible in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### Revenue recognition - Group

The Group's revenue is generated from selling goods and is recognised when control has been transferred to the customer including distributors. The passage of control to the customer occurs at point of collection for those customers arranging onward shipment (ex-works terms) or at point of delivery where transport is arranged by the Group. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, has a right to payment on agreed terms and it is considered that the Group has satisfied the performance obligation.

Most of the Group's revenue is derived from fixed price agreements with customers and therefore the amount of revenue to be earned from each shipment is determined by reference to those fixed prices. Provisions for returns from customers, royalties, rebates and promotional support are deducted from revenue.

## Notes to the financial statements

### 2. Significant accounting policies (continued)

#### *Royalties and Rebates*

The Royalties and rebates relate to amounts payable to customers in respect of contracted agreements based on sales in the period at the agreed contracted rate. Where a royalty or rebate activity spans across the year end, an accrual is reflected in the Group accounts based on the agreed terms with the customer. This is recognised in revenue.

#### *Promotional support*

The Group provides for amounts payable to trade customers for promotional activities. Where a promotional activity spans across the year end, an accrual is reflected in the Group accounts based on our expectation of customer and consumer uptake during the promotional period and the extent to which temporary promotional activity has occurred. This is recognised in revenue.

Payment terms are based on market practice and commercial terms agreed with the individual customer.

#### *Practical exemptions*

The Group has taken advantage of the practical exemptions not to account for significant financing components as all customer payment terms mean the time difference between receiving consideration and transferring control of goods to its customer is one year or less.

### Revenue recognition – Company

The Company's revenue represents rental income on its Investment Property. Revenue is recognised across the period of the agreements in place on a straight-line basis.

### Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identifiable asset,
- The Group obtains substantially all of the economic benefits from the use of the asset, and
- The Group has the right to direct the use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not treated as giving rise to a lease.

In determining whether the Group obtains substantially all of the economic benefits from the use of the asset, the Group considers only the economic benefits that arise from the use of the assets, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct the use of the assets, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of the contract does not satisfy these criteria, the Group applies other applicable IFRS rather than IFRS 16.

All leases are accounted for by recognising a right of use asset and a lease liability except for;

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

Lease liabilities are measured at present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing on the commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes;

- amounts expected to be payable under any residual value guarantee,
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option,
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

## Notes to the financial statements

### 2. Significant accounting policies (continued)

Right of use assets are initially measured at the amount of the lease liability, reduced by any lease incentives received and increased for;

- lease payments made at or before commencement of the lease,
- initial direct costs incurred, and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and reduced for lease payments made. Right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the economic life of the asset if this is judged to be shorter than the lease term.

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

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

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

### Foreign currencies

The individual financial statements of each Group Company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of consolidated financial statements, the result and financial position of each Group Company is presented in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates ruling at that date.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation) all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred, within finance costs.

### Retirement benefit costs

The Group companies contribute to defined contribution retirement benefit schemes.

Payments to the defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

## Notes to the financial statements

### 2 Significant accounting policies (continued)

#### Taxation

The tax expense represents the sum of current tax and deferred tax.

##### *Current tax*

Current tax is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items of income or expenditure that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

##### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on material differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary timing differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

##### *Current and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, that tax effect is included in the accounting for the business combination.

#### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of the assets less any residual values over their estimated useful lives using the straight-line method on the following basis:

	% per annum
Freehold land and buildings	
• land	0
• buildings	5 - 20
Plant and machinery	10 - 20
Fixtures and fittings	10 - 20
Computers	20 - 33

The estimated useful lives, residual values and depreciation method used are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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

## Notes to the financial statements

### 2 Significant accounting policies (continued)

#### Investment Property – Company only

Investment property is initially measured at cost, including transaction costs associated with the purchase. Subsequently, the asset is recognised at cost less accumulated depreciation and impairment.

Depreciation is charged so as to write off the cost of the Investment Property over its estimated useful life using the straight-line method. The useful economic life is considered to be 20 years.

#### Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

In accordance with IAS 38 Intangible Assets, internally generated intangible assets will be capitalised;

- where a project has entered the development phase and is sufficiently self-contained that the expected future economic benefits can be traced to those assets developed in the project;
- it is probable that the future economic benefits that are attributable to those assets will flow to the Group; and
- the costs of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives of up to two years. Where no internally generated intangible assets can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

#### Intangible assets acquired separately

Other intangible assets are carried at cost less accumulated amortisation and accumulated annual impairment. Amortisation begins when an asset is available for use and is calculated on a straight-line basis over its estimated useful life as follows:

Computer software	- Over three to five years
Product development costs	- Over one to two years

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

The acquired brands have been recognised as an intangible asset with an indefinite life, as these brands have been acquired as a long-term investment. An intangible asset with an indefinite life is not amortised, but its useful life is reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. The asset is assessed for impairment in accordance with IAS 36.

#### Impairment of tangible and other intangible assets

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

#### Investments

Investments in subsidiary companies are stated at cost less any recognised impairment loss.

#### Employee Benefit Trust (EBT)

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

#### Inventories

Inventories are stated at the lower of cost or net realisable value. The standard cost comprises direct materials and where applicable direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using standard costing and on FIFO basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

## Notes to the financial statements

### 2 Significant accounting policies (continued)

#### Financial assets

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

Trade receivables are initially recognised at fair value. IFRS 9 requires the use of an expected credit loss model to recognise an impairment allowance. The simplified approach permitted by IFRS 9, requires expected lifetime losses to be recognised from initial recognition of the receivables, and this has been adopted by the Group. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being reported within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

For the Company, impairment provisions for receivables from Group companies are recognised, based on a forward looking expected credit loss method. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and surplus invoice financing amounts, and represent cash in the balance sheet and in the cashflow statement. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position and are treated as financing transactions.

#### Financial liabilities

Financial liabilities are recognised in the Group's balance sheet when the Group becomes party to a contractual provision of the instrument.

Trade payables, overdrafts, invoice finance facilities and other short-term liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective rate method.

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

#### Bank Loans

Bank loans are initially recognised at fair value net of any transaction costs attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.

#### Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based payments are set out in note 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each balance sheet date the Group revises its estimate of the number of shares expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimate, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The replacement of equity-settled share-based payments during the vesting period are measured at the incremental fair value. The measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest is expensed on a straight line basis over the modified vesting period, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

## Notes to the financial statements

### 2 Significant accounting policies (continued)

#### Sale and leaseback

When the Group has undertaken a sale and lease back transaction, the Group must determine whether the transfer qualifies as a sale. This determination is based on the requirements for satisfying a performance obligation in IFRS 15 'Revenue from Contracts with Customers'. The leaseback is then accounted for under the lessee accounting model. The Group utilises sale and leaseback opportunities where appropriate to finance capital investment and reduce the impact on working capital. The lease period for these items is normally 5 years and the rate of interest is agreed upon each transaction.

#### Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the parent Company by the weighted average number of ordinary shares during the year adjusted for the potentially dilutive ordinary shares.

#### Dividends

Dividends are recognised when they are legally payable. Interim dividends are recognised when declared by the Directors. Final dividends are disclosed when approved by the shareholders at the general meeting.

#### Share capital and share premium

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

### 3 Critical accounting judgements and sources of estimation uncertainty

#### *Critical judgements in applying the Group's accounting policies*

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

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

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

#### *Impact of climate change*

Climate change is a global challenge and an emerging risk to businesses, people and the environment across the world. We have a role to play in limiting warming by improving our energy management, reducing our carbon emissions and by helping our customers do the same. Growing awareness of climate change and customer sustainability targets will provide impetus for business growth as we provide products, services and solutions that increase efficiency and reduce customers' energy use and carbon emissions. As a result, in our view climate change does not create any further key sources of estimation uncertainty. For further details see the Task Force on Climate - related Financial disclosures (TCFD) report and Risk Management and Sustainability sections of the Strategic Report on pages 16 to 22.

**Notes to the financial statements**

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

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**Inventory provision:**

An estimate is required in determining the value of any provisions held against inventory. In determining this provision, the Directors have made an assessment based on the historic realisable value of finished products and made provision for all raw materials with no current demand based on orders and forecasts in the system at the year end, each item is assessed and reviewed for future usage as part of the inventory provision calculation. The inventory value is £10,228,000 including inventory of the acquired brands (2022: £12,479,000). This is net of provisions of £1,014,000 (2022: £1,261,000) for residual inventories per note 18, which has historically proved to be realistic.

**Impairment of goodwill:**

Determining whether goodwill is impaired requires an assessment of value in use based on the recoverable amount of the cash-generating unit to which goodwill is allocated. The value in use requires the entity to estimate the future economic benefit. No impairment provision was considered necessary against this carrying value, which is set out in note 13. The Group has assessed the implication of climate change in the TCFD report on pages 16 to 22. The cashflows prepared for the value in use in the impairment review have regard to the impact of climate change which is not considered to be significant in these cashflows.

**Impairment of brand values:**

Determining whether brand values should be impaired requires an assessment of the value in use of the relevant brand. The value in use requires the entity to estimate the future economic benefit. No impairment provision was considered necessary against this carrying value, which is set out in note 14. The Group has assessed the implication of climate change in the TCFD report on pages 16 to 22. The cashflows prepared for the value in use in the impairment review have regard to the impact of climate change which is not considered to be significant in these cashflows.

Key assumptions used in this assessment are as follows:-

<b>Brand</b>	<b>Discount Rate (Pre-tax)</b>	<b>EBITDA Growth Rate</b>
Emma Hardie	10.4%	5% in FY24 - FY26 and 3.50% in perpetuity
Brodie and Stone	10.4%	5% in FY24 - FY26 and 3.50% in perpetuity

EBITDA is based on detailed forecasts for the year ended 31 March 2024 and 2025 which includes top line growth and manufacturing synergies particularly in year ended March 2024. 5% EBITDA growth is assumed in the next three years, with 3.5% growth in perpetuity, which is managements best estimate of ongoing growth.

**Expected credit losses (ECL):**

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. This is where the uncertainty lies.

The Group only trades on credit terms with customers where it holds sufficient credit insurance, all other customers pay on a proforma basis therefore reducing the ECL risk to a maximum of 10% of a customer's trade debtor balance.

The value of trade receivables is £12,220,000 (2022: £12,819,000), net of provisions of £45,000 (2022: £59,000).

**Deferred tax:**

The calculation of the Group's total tax charge involves a degree of estimation in respect of the recoverability of tax losses. Deferred tax in relation to losses is recognised to the extent that it is probable that taxable profit will be available for which unused tax losses can be utilised. Management have assessed budgets and conclude that the recognition of tax losses within the deferred tax balance is appropriate. Please see note 31.

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### Notes to the financial statements

#### 4 Revenue

All of the Group's revenue is derived from the sale of goods. The following is a disaggregation of the Group's revenue.

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	£000	£000
Sales of goods	60,713	62,520
Settlement discounts	(88)	(132)
Contracted retailer commitments	(935)	(507)
Royalties & commissions	(10)	(14)
Retailer promotional support	(1,113)	(710)
Revenue	58,567	61,157

#### 5 Business and geographic segments

In the year ended 31 March 2023, the Group had 1 customer that exceeded 10% of total revenue, being £10.3m (2022: two customers being £9.1m and £7.4m).

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

Revenues from external customers

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	£000	£000
UK	47,964	51,114
Overseas	10,603	10,043
Total	58,567	61,157

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 5 Business and geographic segments (continued)

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

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	£000	£000
Denmark	2,158	1,815
Vietnam	1,902	1,659
Saudi Arabia	1,442	1,651
Chile	555	1,098
United States of America	839	672
Ireland	504	660
Australia	424	551
France	269	
United Arab Emirates	254	-
Nigeria	196	-
Germany	181	434
China	166	-
Georgia	157	-
Other	1,556	1,503
<b>Total</b>	<b>10,603</b>	<b>10,043</b>

There are no non-current assets held overseas.

#### 6 Operating profit

Operating profit for the Group is stated after charging:

	Note	Year ended 31-Mar	Year ended 31-Mar
		2023	2022
		£000	£000
Net foreign exchange (gain) / loss		(126)	142
Cost of inventories recognised as expense		34,093	34,859
Write downs of inventories recognised as an expense		798	400
External research and development costs		336	529
Depreciation of property plant and equipment			
Owned assets	<b>15</b>	1,000	888
Right-of-use assets	<b>16</b>	294	256
Loss/(Profit) on disposal of Right of Use assets		34	(10)
Amortisation of intangible assets (included in administrative expenses)	<b>14</b>	288	435
Staff costs	<b>7</b>	14,716	15,489
Auditor's remuneration		170	145

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 6 Operating profit (continued)

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

		Year ended 31-Mar	Year ended 31-Mar
		2023	2022
		£000	£000
Audit services			
Fees payable to the Company's auditor for the audit of the parent Company and the consolidated financial statements		170	87
Fees payable to the Company's auditor for other services:			
The audit of the Company's subsidiaries, pursuant to legislation		-	58

Operating profit for the Company is stated after charging:

		Year ended 31-Mar	Year ended 31-Mar
		2023	2022
		£000	£000
Depreciation of property plant and equipment			
- Owned assets	15	211	210

#### 7 Staff costs

The average number of employees (including Directors) was:

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	Number	Number
Management	9	9
Administration	115	98
Production	348	431
Total	472	538

Their aggregate remuneration comprised:

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	£000	£000
Wages and salaries	12,831	13,309
Social security costs	1,346	1,366
Pension contributions	438	484
Share based payment charge	101	330
Total	14,716	15,489

Details of the emoluments of Directors, who are the key management personnel of the Group, are set out in the Directors' remuneration report.

The parent Company had no staff costs or employees in the year ended 31 March 2023 (2022: nil).

Redundancy costs incurred of £0.17m in respect of the closure of the second shift at Peterborough are included within exceptional costs as the transaction is not routine within business income and expenses. This ensures consistency between periods.

## Notes to the financial statements

### 8. Business combinations

#### Emma Hardie

On 28th July 2021, the Group acquired 100% of the issued share capital of Emma Hardie Limited. Total consideration was £4.86m, of which £2.77m was paid in cash, £1.36m was settled by the issue of 1,600,000 shares in Creightons Plc at a price of £0.848 per share, and there was £0.084m of deferred consideration and a further £0.644m in contingent consideration. There was cash acquired of £0.08m and debt acquired at fair value of £2.20m.

The Company had guaranteed to the sellers of Emma Hardie Limited a share price for Creightons Plc at £1.25 per share as at 28th July 2022. On 28th July 2022, the actual volume weighted average middle market quoted price of an Ordinary Share for the last 5 Business days prior was £0.416 per share. This equated to an additional payment of £1,333,664. As of the 31 March 2022 £1,027,500 had been accrued in anticipation of the final consideration paid to the Sellers under the SPA of Emma Hardie Limited.

A further £84,000 had been accrued in relation to the adjustment payment and the deferred consideration as part of the SPA of Emma Hardie Limited. The actual payment made during the year to 31 March 2023 was £90,336.

The total payment made for contingent and deferred consideration during the year to 31 March 2023 was £1,424,000. The shortfall in the amount provided at the end of 31 March 2022 had a P&L impact of £312,500. This amount is included within exceptional costs.

During the 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. The Buyback took place on 26 September 2022.

The Company holds the total of 1,600,000 re-purchased shares as treasury shares.

The fair value of acquired intangible assets is £5.11m and relates to the Emma Hardie brand acquired. The intangible asset is deemed to have an indefinite useful life so no amortisation is charged but will be subject to an annual impairment review.

#### Exceptional costs

In our report on the results for March 2022, we indicated that there would be 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 accrued in relation to the deferred and contingent consideration at 31 March 2022 amounted to £0.31m and has been treated as an exceptional cost as the transaction is not routine within business income and expenses. This ensures consistency between periods.

Exceptional costs in the prior year arose from the acquisitions total £602,000. Legal & Professional costs of £218,000 and a further £384,000 charge in relation to the additional liability in respect of the Emma Hardie share issue at a guaranteed price of £1.25 per share.

#### Brodie & Stone

On 24th September 2021, the Group acquired 100% of the issued share capital of Brodie and Stone Holdings Limited, and its wholly owned subsidiary Brodie and Stone International Limited. Total consideration was £4.85m, of which £2.81m was paid in cash, £1.15m was settled by the issue of 1,000,000 shares in Creightons Plc at a price of £1.146 per share, £0.70m in relation to a property retention payment paid in October 2021, and there was £0.20m of deferred consideration. There was no cash acquired and debt acquired at fair value of £0.71m.

The fair value of acquired intangible assets is £4.98m and relates to various brands acquired. The intangible asset is deemed to have an indefinite useful life so no amortisation is charged but will be subject to an annual impairment review.

#### Goodwill

The value of goodwill in relation to Emma Hardie of £1.28m and Brodie and Stone of £1.25m relates to the deferred tax, at a rate of 25%, on the brand values acquired in the year ended 31 March 2022.

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 8. Business combinations (continued)

The amounts recognised in respect of the fair value of identifiable assets and liabilities for the acquisitions made during the year to March 2022 was as follows. The purchase price allocation is unchanged from the year ended 31 March 2022. There were no acquisitions in the year to March 2023.

	<b>Brodie and Stone Limited</b>	<b>Emma Hardie Limited</b>	<b>Total</b>
	<b>Fair value</b>	<b>Fair value</b>	<b>Fair value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, plant and equipment	-	1	1
Intangible assets	-	58	58
Inventory	304	1,342	1,646
Trade receivable	434	752	1,186
Other debtors	-	267	267
Cash at bank	-	83	83
Borrowings	(463)	(475)	(938)
Trade payables	(141)	(422)	(563)
Taxation and social security	(19)	(60)	(79)
Other creditor	(242)	(68)	(310)
Redemption of C shares	-	(544)	(544)
Liabilities to be paid on completion	-	(1,182)	(1,182)
<b>Total net assets</b>	<b>(127)</b>	<b>(248)</b>	<b>(375)</b>
<b>Intangible assets on business combination – Brand value</b>	<b>4,980</b>	<b>5,108</b>	<b>10,088</b>
<b>Total consideration due</b>	<b>4,853</b>	<b>4,860</b>	<b>9,713</b>
<b>The consideration was satisfied as follows:</b>			
Cash consideration	2,807	2,775	5,582
Property retention	700	-	700
Deferred consideration	200	84	284
Contingent consideration	-	644	644
Share issue	1,146	1,357	2,503
	<b>4,853</b>	<b>4,860</b>	<b>9,713</b>

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 8. Business combinations (Continued)

The performance of the acquisitions for the period to March 2022 since acquisition for Emma Hardie and Brodie & Stone is summarised in the below table:

	Emma Hardie £000	Brodie & Stone £000
Revenue	2,309	1,322
Profit before tax	4	485

On a pro rata basis this would represent an annual turnover of £3.5m for Emma Hardie and £2.6m on Brodie & Stone. It is difficult to assess the full year profit due to a change in commercial and operating environment.

#### Deferred and contingent consideration

At 31 March 2023, deferred and contingent consideration was £Nil. The position at year end 31 March 2022 was as follows:

	Brodie and Stone Limited	Emma Hardie Limited	Total
	Fair value	Fair value	Fair value
	£000	£000	£000
Deferred consideration at point of acquisition	200	84	284
Settled during period	(125)	-	(125)
Deferred consideration at 31 March 2022	75	84	159
Contingent consideration at point of acquisition	-	644	644
Additional provision in period	-	384	384
Contingent consideration at 31 March 2022	-	1,028	1,028
Total deferred and contingent consideration at 31 March 2022	75	1,112	1,187

#### Deferred tax

The valuation of intangibles on acquisition gives rise to a deferred tax liability. The deferred tax liability is measured using the value of the intangible asset at the deferred tax rate. This deferred tax liability creates a corresponding asset which has been included in goodwill.

#### 9. Finance costs

	Group		Company	
	Year ended 31-Mar 2023 £000	Year ended 31-Mar 2022 £000	Year ended 31-Mar 2023 £000	Year ended 31-Mar 2022 £000
Interest on bank overdrafts and loans	242	108	-	-
Interest on mortgage	77	83	77	83
Interest on lease liabilities	101	117	-	-
Total	420	308	77	83

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 10. Taxation

	Group		Company	
	Year ended 31-Mar	Year ended 31-Mar	Year ended 31-Mar	Year ended 31-Mar
	2023	2022	2023	2022
	£000	£000	£000	£000
Current tax				
Current tax on profit for the year	141	100	-	45
Adjustments in respect of prior years	37	-	-	4
Total current tax	178	100	-	49
Deferred tax (see note 31)				
Originations and reversal of temporary differences	83	187	-	-
Adjustment in respect of prior years	(88)	(2)	-	-
Effect of tax rate change	-	60	-	-
Total deferred tax	(5)	245	-	-
Total	173	345	-	49

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

	Group		Company	
	Year ended 31-Mar	Year ended 31-Mar	Year ended 31-Mar	Year ended 31-Mar
	2023	2022	2023	2022
	£000	£000	£000	£000
Profit before taxation	687	3,455	65	461
Tax charge at the UK corporation tax rate of 19% (2021: 19%)	131	656	12	88
Fixed asset differences	7	(9)	40	40
Tax effect of expenses that are not deductible in determining taxable profit	121	140	-	-
Income not subject to tax	-	-	(52)	(83)
Additional deduction for R&D expenditure	(94)	(213)	-	-
Adjustments in respect of prior years	(51)	(2)	-	4
Deferred tax credited directly to retained earnings	(19)	(243)	-	-
Adjust opening deferred tax to average rate	92			
Deferred tax not recognised	-	(12)	-	-
Tax relief on exercise of share options	-	(49)	-	-
Other	(14)	77	-	-
Total expense	173	345	-	49

In addition to the Group's taxation charge to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity. There were no such taxes in the Company.

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	£000	£000
<b>Deferred tax</b>		
Excess tax deductions related to share-based payments on exercised options	(303)	(243)
Total	(303)	(243)

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 11 Payments to shareholders

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	£000	£000
Final dividend paid – £Nil (2022: 0.50p) per share	-	324
Interim dividend paid £Nil (2022: 0.15p) per share	-	104
Total dividend paid in year – £Nil (2022: 0.65p) per share	-	428
Proposed – £Nil (2022: Nil) per share	-	-

#### 12 Earnings per share

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

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	£000	£000
<b>Earnings</b>		
Net profit attributable to the equity holders of the parent Company	514	3,110

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	Number	Number
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	69,166,461	67,372,553
Effect of dilutive potential ordinary shares relating to share options	9,534,475	10,681,836
Weighted average number of ordinary shares for the purposes of diluted earnings per share	78,700,936	78,054,389
Basic	0.74p	4.62p
Diluted	0.65p	3.98p

**Notes to the financial statements**

**13 Goodwill**

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

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

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

	Notes	Goodwill
		£000
Cost		
At 1 April 2021		367
Additions	8	2,522
At 31 March 2022		2,889
Additions		4
At 31 March 2023		2,893
Accumulated Impairment		
At 31 March 2021		36
Impairment for the year		-
At 31 March 2022		36
Impairment for the year		-
At 31 March 2023		36
Carrying value		
At 1 April 2021		331
At 31 March 2022		2,853
At 31 March 2023		2,857

The value in use calculation is based on the recoverable amount of the cash generating unit (CGU). Of the total Goodwill net book value, £2.522m arose as part of a business acquisition of Brodie and Stone International Limited and Emma Hardie Limited. This forms part of the CGU's asset carrying value which is tested for impairment annually. The cash generating unit is assessed to be the brand itself and the carrying amount allocated to each brand is as follows, Emma Hardie £1.281m and Brodie and Stone International brands £1.245m.

The remaining Goodwill carrying amount of £0.331m relates to the investment in Potter and Moore Innovations Limited. The value of goodwill in relation to Emma Hardie and Brodie and Stone relates to the deferred tax, at a rate of 25%, on the brand values acquired in the year ended 31 March 2022.

The key assumptions used for the value in use calculation are the discount rate, sales and margin projections, expected changes in direct and indirect costs during the five year forecast, a growth rate of 3.5% and a discount rate of 10.4%. Using these assumptions there is a sufficient amount of headroom and any reasonable changes in the assumptions (such as a large fall in growth, or no growth at all) would not lead to an impairment.

The growth rates are based on the average growth rate experienced by the cash generating unit which is in line with historical growth rates for the business sector. The pre-tax discount rate is based upon the Group's weighted average cost of capital adjusted for specific risks relating to the sector and country, as this is believed to be the most appropriate to be used.

The carrying value of goodwill in relation to Potter & Moore of £0.33m has been assessed for impairment by reviewing forecasts and key assumptions. No impairment is required at this time.

**Creightons Plc Annual Report 2023**

**Notes to the financial statements**

**14 Other intangible assets**

**Group**

	Computer software	Intellectual property	Product development costs	Brands	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 April 2021	262	10	3,180	508	3,960
Additions – internally developed	18	-	320	-	338
Acquired through business combination (Note 8 Brand value)	-	-	-	10,088	10,088
Additions – externally acquired	-	-	58	-	58
<b>At 31 March 2022</b>	<b>280</b>	<b>10</b>	<b>3,558</b>	<b>10,596</b>	<b>14,444</b>
Additions – internally developed	61	-	254	-	315
Disposal	-	-	(89)	-	(89)
<b>At 31 March 2023</b>	<b>341</b>	<b>10</b>	<b>3,723</b>	<b>10,596</b>	<b>14,670</b>
<b>Accumulated amortisation</b>					
At 31 March 2021	195	-	2,947	-	3,142
Amortisation for the year	30	-	405	-	435
<b>At 31 March 2022</b>	<b>225</b>	<b>-</b>	<b>3,352</b>	<b>-</b>	<b>3,577</b>
Amortisation for the year	32	-	256	-	288
Amortisation on disposal	-	-	(89)	-	(89)
<b>At 31 March 2023</b>	<b>257</b>	<b>-</b>	<b>3,519</b>	<b>-</b>	<b>3,776</b>
<b>Carrying value</b>					
At 1 April 2021	67	10	233	508	818
<b>At 31 March 2022</b>	<b>55</b>	<b>10</b>	<b>206</b>	<b>10,596</b>	<b>10,867</b>
<b>At 31 March 2023</b>	<b>84</b>	<b>10</b>	<b>204</b>	<b>10,596</b>	<b>10,894</b>

**Notes to the financial statements**

**14 Other intangible assets (continued)**

**Brand**

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

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

The Emma Hardie brand, which possesses its own product lines, is defined as a separate cash generating unit and has a carrying amount allocated to the unit of £5.108m. The Brodie and Stone brand, which possesses its own product lines, is defined as a separate cash generating unit and has a carrying amount allocated to the unit of £4.908m. Please refer to note 13 for the corresponding Goodwill carrying value.

The recoverable amounts for the CGUs are based on the value in use which is calculated on the operating cash flows expected to be generated by the unit using the latest budget data for the coming year and forecasts for the next five years. The cash flows are discounted at a WACC of 10.4%. The single rate of WACC represents the similar risk profiles of each CGU.

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

On 21 June 2019, the Company acquired a skincare brand, Balance Active, for £508, 000. The acquisition adds to the Group's growing range of beauty and well-being products contributing £5,300,000 to sales for this year (2022: £4,257,000).

For the additions in the prior year see Note 8. There were no additions in the current year.

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 15 Property, plant and equipment and investment property

##### Group

	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Computers	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 April 2021	4,038	5,036	1,136	242	10,452
Additions	-	1,125	128	62	1,315
Disposals	-	(22)	-	-	(22)
Reclassification to Right-of-use	-	(199)	(10)	-	(209)
<b>At 31 March 2022</b>	<b>4,038</b>	<b>5,940</b>	<b>1,254</b>	<b>304</b>	<b>11,536</b>
Additions	-	549	152	124	825
<b>At 31 March 2023</b>	<b>4,038</b>	<b>6,489</b>	<b>1,406</b>	<b>428</b>	<b>12,361</b>
<b>Accumulated depreciation</b>					
At 1 April 2021	307	3,524	587	177	4,595
Depreciation for the year	210	498	147	33	888
Disposals	-	(12)	-	-	(12)
<b>At 31 March 2022</b>	<b>517</b>	<b>4,010</b>	<b>734</b>	<b>210</b>	<b>5,471</b>
Depreciation for the year	211	584	157	48	1,000
<b>At 31 March 2023</b>	<b>728</b>	<b>4,594</b>	<b>891</b>	<b>258</b>	<b>6,471</b>
<b>Carrying value</b>					
At 1 April 2021	3,731	1,512	549	65	5,857
<b>At 31 March 2022</b>	<b>3,521</b>	<b>1,930</b>	<b>520</b>	<b>94</b>	<b>6,065</b>
<b>At 31 March 2023</b>	<b>3,310</b>	<b>1,895</b>	<b>515</b>	<b>170</b>	<b>5,890</b>

## Creightons Plc Annual Report 2023

### Notes to the financial statements

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

##### Company

	Investment Property £000
<b>Cost</b>	
At 1 April 2021	4,038
Additions	-
<b>At 31 March 2022 and 31 March 2023</b>	<b>4,038</b>
<b>Accumulated depreciation</b>	
At 1 April 2021	307
Depreciation for the year	210
<b>At 31 March 2022</b>	<b>517</b>
Depreciation for the year	211
<b>At 31 March 2023</b>	<b>728</b>
<b>Carrying value</b>	
At 1 April 2021	3,731
<b>At 31 March 2022</b>	<b>3,521</b>
<b>At 31 March 2023</b>	<b>3,310</b>

On 16 October 2019, Creightons Plc acquired the freehold property at Peterborough having occupied the property as a tenant since March 2003 for £3.80m plus stamp duty and professional costs. Based on an up to date property valuation. The Directors consider that the fair value of the property exceeds the cost value and therefore no impairment is deemed necessary. The property has been pledged as security for the long term loan.

#### 16 Right-of-use assets

##### Group

	Leasehold Property £000	Plant and machinery £000	Total £000
<b>Cost</b>			
At 1 April 2021	764	757	1,521
Additions	-	77	77
Reclassification from property, plant and equipment	-	209	209
<b>At 31 March 2022</b>	<b>764</b>	<b>1,043</b>	<b>1,807</b>
Additions	-	493	493
Disposals	-	(56)	(56)
<b>At 31 March 2023</b>	<b>764</b>	<b>1,480</b>	<b>2,244</b>
<b>Depreciation</b>			
At 1 April 2021	210	221	431
Depreciation for the year	105	151	256
<b>At 31 March 2022</b>	<b>315</b>	<b>372</b>	<b>687</b>
Depreciation for the year	105	189	294
Disposals	-	(22)	(22)
<b>At 31 March 2023</b>	<b>420</b>	<b>539</b>	<b>959</b>
<b>Carrying value</b>			
At 1 April 2021	554	536	1,090
<b>At 31 March 2022</b>	<b>449</b>	<b>671</b>	<b>1,120</b>
<b>At 31 March 2023</b>	<b>344</b>	<b>941</b>	<b>1,285</b>

Notes to the financial statements

17 Investment in subsidiaries

Company

	Investments
	£000
	Restated
<b>Cost</b>	
As previously disclosed at 1 April 2021	75
Prior year restatement	708
At 1 April 2021	783
Additions restated	330
<b>Restated as at 31 March 2022</b>	<b>1,113</b>
Additions	101
<b>At 31 March 2023</b>	<b>1,214</b>
<b>Impairment charge</b>	
At 1 April 2021	15
Impairment for the year	-
<b>At 31 March 2022</b>	<b>15</b>
Impairment for the year	-
<b>At 31 March 2023</b>	<b>15</b>
<b>Carrying value</b>	
As previously disclosed at 1 April 2021	60
Prior year restatement	708
<b>Restated as at 1 April 2021</b>	<b>768</b>
Prior year restatement	330
<b>Restated as at 31 March 2022</b>	<b>1,098</b>
<b>At 31 March 2023</b>	<b>1,199</b>

Creightons Plc the parent Company, issues share options to employees of the subsidiary companies. These options at a consolidated level have been accounted for in accordance with IFRS2 and valued using the Black-Scholes model.

The investment is increased by the share based payment expense recognised by the subsidiary Potter and Moore Innovations Limited during the year. The total impact of this restatement is an increase in the investment value of the subsidiary of £1,038,000 for the year ended 31 March 2022. This restatement of the balance sheet does not impact the basic and diluted earnings per share. The corresponding entry is included within retained earnings. The impact on the prior year cash flow statement was nil. This adjustment only impacted the parent Company only balance sheet with no impact on the Group.

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 17 Investment in subsidiaries (continued)

Details of the Group's subsidiaries at 31 March 2023 and 31 March 2022 are as follows:

Name	Place of incorporation, registration and operation	Note	Proportion of ownership, interest and voting power held
Potter & Moore Innovations Limited	England	a	100%
Potter and Moore International Inc.	United States of America	b	100%
Emma Hardie GmbH	Germany	e	100%
Potter and Moore (Devon) Limited	England	a	100%
Potter and Moore Pty Limited	Australia	c	100%
Emma Hardie Limited	England	a	100%
Brodie & Stone International Limited	England	a	100%
Brodie & Stone Holdings Limited	England	a	100%
Potter and Moore Limited	Republic of Ireland	d	100%
The Natural Grooming Company Limited	England	a	100%
St James Perfumery Co Limited	England	a	100%
Ashworth & Claire Limited	England	a	100%
The Haircare Studio Limited	England	a	100%
The Real Shaving Company Limited	England	a	100%
The Hair Design Studio Limited	England	a	100%
Creightons Naturally Limited	England	a	100%
Groomed Limited	England	a	100%
Twisted Sista Limited	England	a	100%
Potter & Moore International Limited	England	a	100%
The Herbal Hair Company Limited	England	a	100%
Curl Therapy Limited	England	a	100%
Feather & Down Limited	England	a	100%
Creighton Services Limited	England	a	100%
The Curl Company Limited	England	a	100%
Creighton Direct Limited	England	a	100%

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

The registered offices for the subsidiaries are:

- a.) 1210 Lincoln Road, Peterborough PE4 6ND
- b.) 1140 Bay Street Suite 2c, Staten Island, New York, NY10305
- c.) RSM Level 12, 60 Castlereagh Street, Sydney, NSW 2000
- d.) The Black Church, St Mary's Place, Dublin, DO7 P4AX
- e.) Ulmenstr. 37-39, c/o RSM GmbH, 60325 Frankfurt a. Main, Germany

All shareholdings are in ordinary shares.

The activity of Potter & Moore Innovations Limited is the creation and manufacture of toiletries and fragrances. The activity of Emma Hardie Limited is the creation and distribution of high end branded skincare products. The activity of Brodie & Stone International Limited was the distribution of personal care products until trade was absorbed into the Potter & Moore Innovations business on 31 October 2021. Brodie & Stone Holdings Limited is the holding Company of Brodie & Stone International Limited and is a non-trading Company. The activity of Potter and Moore Pty Ltd is the distribution of personal care products. The activity of Emma Hardie GmbH is the distribution of personal care products. The activity of Potter and Moore International Inc. is a distribution of personal care products. The activity of Potter & Moore (Devon) Limited, was the manufacture and distribution of premium contract brands until 31 December 2019 when it transferred its trade and net assets to Potter and Moore Innovations Limited and then ceased to trade. The range of products included toiletries, fragrances and soaps.

All other subsidiaries were dormant throughout the years ended 31 March 2023 and 31 March 2022.

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 17. Investment in subsidiaries (continued)

Potter & Moore Innovations Limited and its subsidiaries, Emma Hardie Limited, Potter and Moore (Devon) Limited Brodie and Stone International Limited and Brodie and Stone Holdings Limited are 100% owned by the ultimate parent Company Creightons Plc. These entities have taken advantage of the exemption from the requirement of the Companies Act 2006 relating to the audit of accounts under Section 479A of the Act.

#### 18 Inventories

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Raw materials	3,910	4,544	-	-
Work in progress	713	913	-	-
Finished goods	5,605	7,022	-	-
Total	10,228	12,479	-	-

Inventories with a carrying value of £10,228,000 (2022: £12,479,000) have been pledged as security for the Group's bank overdrafts. Directors believe that net realisable value approximates to fair value. Inventories are stated net of provisions of £1,014,000 (2022: £1,261,000).

#### 19 Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade receivables	12,220	12,819	-	-
Amounts receivable from subsidiaries	-	-	4,233	4,455
Prepayments and other receivables	513	691	23	21
Corporation tax	-	114	-	-
Total	12,733	13,624	4,256	4,476

Trade receivables have been pledged as security for the Group's borrowings under invoice finance facilities and the Group's bank overdrafts.

The carrying value of trade and other receivables represents their fair value. The Group assesses the credit risk for each individual customer and the value of debtors covered by credit insurance at 31 March 2023 was £12,220,000 (2022: £12,819,000). The Group took the decision to cover all customers as a result of the current economic climate. The credit insurance policy in place covers 90% of the trade receivables amount.

Amounts receivable from subsidiaries are unsecured, interest free and repayable on demand. The borrower has sufficient assets in order to repay the loan if demanded at the reporting date, the expected credit loss is therefore expected to be nil.

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 19 Trade and other receivables (continued)

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

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade receivables:				
Current	10,902	11,244	-	-
1 - 30 days	844	1,054	-	-
31 - 60 days	237	132	-	-
61 - 90 days	50	115	-	-
91 + days	232	333	-	-
Less impairment allowance	(45)	(59)	-	-
Total	12,220	12,819	-	-

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

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
At 1 April	59	32	-	-
(Credit)/Charge in current year income statement	(14)	27	-	-
At 31 March	45	59	-	-

There were £1,318,000 (2022: £1,575,000) of trade receivables that were overdue at the balance sheet date that have not been provided against. The proportion of trade receivables at 31 March 2023 that were overdue for payment was 10.7% (2022: 12.7%).

The Group uses the simplified approach for trade accounts receivables. The Group considers a financial asset in default when it is unlikely to receive the outstanding contractual amounts in full. The probability of default takes into consideration financial information regarding the customer including credit reports and non-financial information including market developments and consumer trends. The consideration is forward-looking and verified using historical credit losses. Trade accounts receivable are assumed to be credit-impaired if it is unlikely that the customer will fulfil its obligations.

The impairment allowance for bad debts are calculated using a lifetime expected credit loss model, as set out below, in accordance with IFRS 9. Following a full review of customers at the year end, including ongoing business discussion with customers and market performance reviews there are no receivables subjected to a significant increase in credit loss. The provision for the year to March 2023 was £45,000 (2022: £59,000).

	Group			Group		
	2023		£000	2022		£000
	£000	%		£000	%	
Current	10,902	-	-	11,244	-	-
1 - 30 days	844	-	-	1,054	-	-
31 - 60 days	237	-	-	132	-	-
61 - 90 days	50	-	-	115	-	-
91 + days	232	19%	45	333	18%	59
At 31 March	12,265		45	12,878		59

**Notes to the financial statements**

**20 Cash and cash equivalents**

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity rate of three months or less. The carrying amounts of these assets approximates to their fair value. An analysis of the amounts at the year-end is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	769	648	26	255
Sterling equivalent of deposit denominated in Australian dollars	29	25	-	-
Sterling equivalent of deposit denominated in Euros	414	119	-	-
Sterling equivalent of deposit denominated in US dollars	441	48	-	-
<b>Total</b>	<b>1,653</b>	<b>840</b>	<b>26</b>	<b>255</b>

During the current year the invoice finance facility has been utilised to fund the on going activities of the business.

**21 Financial instruments and treasury risk management**

**Market risk**

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

Market risk for the 31 March 2023 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 2023 all trade debtors (2022: all) are covered by credit insurance with a cover of 90% of the debtor balances. Non-trading financial exposures are incurred only with the Group's bankers or other institutions with prior approval of the Board of Directors.

The majority of trade receivables are with retail customers. The maximum exposure to credit risk is represented by the carrying amount of those financial assets in the balance sheet.

Impairment provisions on trade receivables have been disclosed in note 19.

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

## Notes to the financial statements

### 21. Financial instruments and treasury risk management (continued)

#### Interest rate risk

The Group's interest rate exposure arises mainly from its interest-bearing borrowings.

The Group finances its operations through a mixture of debt associated with working capital facilities and equity. The Group is exposed to changes in interest rates on its floating rate working capital facilities. The variability and scale of these facilities is such that the Group does not consider it cost effective to hedge against this risk.

The Group also secured a fixed rate mortgage for a 15 year term, 11.5 years remaining, secured on the property with an interest rate of 3.04% fixed for the first 10 years, 6.5 years remaining, of the loan, therefore reducing the interest rate risk. The interest charge on the mortgage for the year ended 31 March 2023 was £77,000 (2022: £83,000).

On 3 September 2021, the Company took out a term loan of £3,000,000 to fund part of the purchase of the acquisitions in the 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 2023 was £111,000 (2022: £43,000). A 1% increase in the interest rate would have resulted in an additional charge of £22,000 (2022: £13,000).

#### Interest rate sensitivity

The interest rate sensitivity is based upon the Group's borrowings over the year assuming a 1% increase or decrease which is used when reporting interest rate risk internally to key management personnel.

A 1% increase in bank base rates would reduce Group pre-tax profits by £114,000 (2022: £75,000). 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 0% (2022: 0%) of the Group's income is denominated in US dollars and 2% (2022: 2%) in Euros. Approximately 4% (2022: 4%) of the Group's expenditure is denominated in US dollars and 4% (2022: 5%) in Euros.

#### Foreign currency sensitivity

A 5% strengthening of sterling would result in a £145,000 (2022: £163,000) increase in profits and equity. A 5% weakening in sterling would result in a £161,000 (2022: £180,000) 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 2023 or 31 March 2022.

#### 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 2023 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 2023 the Group had available £4,327,000 (2022: £6,288,000) 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 6.5 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.

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 21. Financial instruments and treasury risk management (continued)

##### Financial assets

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

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade and other receivables	12,220	12,819	4,233	4,455
Cash and cash equivalents	1,653	840	26	255
<b>Total</b>	<b>13,873</b>	<b>13,659</b>	<b>4,259</b>	<b>4,710</b>

##### 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 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>

For the year to 31 March 2023 contingent consideration of £Nil (2022:£1,028,000) is held at FVTPL within financial liabilities. The contingent consideration is based on quoted investments and is therefore designated as level 1 in the fair value hierarchy (see Note 8).

At 31 March 2022

	Group				
	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
	£000	£000	£000	£000	£000
Trade payables	6,211	-	-	-	6,211
Accruals	3,016	-	-	-	3,016
Obligations under leases	153	150	864	-	1,167
Overdraft and invoice financing	1,762	-	-	-	1,762
Loans	447	454	2,670	1,716	5,287
Deferred consideration	159	-	-	-	159
<b>Total</b>	<b>11,748</b>	<b>604</b>	<b>3,534</b>	<b>1,716</b>	<b>17,602</b>

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 21. Financial instruments and treasury risk management (continued)

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

At 31 March 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	237	214	963	43	1,457
Overdraft and invoice financing	1,583	-	-	-	1,583
Loan	544	544	2,264	1,658	5,010
<b>Total</b>	<b>11,061</b>	<b>758</b>	<b>3,227</b>	<b>1,701</b>	<b>16,747</b>

At 31 March 2022

	Group				
	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Total
	£000	£000	£000	£000	£'000
Trade payables	6,211	-	-	-	6,211
Accruals	3,016	-	-	-	3,016
Obligations under leases	204	194	995	-	1,393
Overdraft and invoice financing	1,762	-	-	-	1,762
Loan	523	523	2,994	1,910	5,950
Contingent and deferred consideration	1,187	-	-	-	1,187
<b>Total</b>	<b>12,903</b>	<b>717</b>	<b>3,989</b>	<b>1,910</b>	<b>19,519</b>

#### 22 Trade and other payables and corporation tax

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade payables	5,974	6,211	-	-
Social security and other taxes	1,139	900	3	1
Accrued expenses	2,723	3,016	15	18
Amounts payable to subsidiary undertakings	-	-	35	35
Corporation tax payable	3	-	-	46
<b>Total</b>	<b>9,839</b>	<b>10,127</b>	<b>53</b>	<b>100</b>

The Directors consider the carrying amount of trade payables approximates to fair value. Amounts payable to subsidiary undertakings are unsecured, interest free and repayable on demand.

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 23 Lease liabilities

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Amounts payable under leases				
Within one year	373	303	-	-
Between two to five years	874	864	-	-
After five years	43	-	-	-
At 31 March	1,290	1,167	-	-

	Group
	£000
At 1 April 2022	1,167
New lease	493
Disposal	(35)
Interest expense	101
Lease payments	(436)
At 31 March 2023	1,290

The Group expensed to the consolidated income statement and incurred a cash outflow of £216,000 for leases with a lease term of 12 months or less.

The additions, disposals, depreciation and the carrying values of right-of-use assets are shown in note 16.

#### 24 Borrowings

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Bank overdraft	26	495	-	-
Borrowings under invoice finance facilities	1,557	1,267	-	-
Borrowings under mortgage and loan repayable within one year	919	901	178	172
Borrowings under mortgage and loan repayable between two to five years	1,977	2,669	778	754
Borrowings under mortgage repayable after more than five years	1,511	1,717	1,511	1,717
<b>Total</b>	<b>5,990</b>	<b>7,049</b>	<b>2,467</b>	<b>2,643</b>

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

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

Borrowings totalling £Nil (2022: £22,000) are denominated in US Dollars, all other borrowings are denominated in Sterling. The Directors estimate that the fair value of the Group's borrowings approximates to the carrying value.

On 16 October 2019, the Company took out a mortgage of £3,040,000 to fund part of the purchase of the freehold property at Peterborough it previously occupied as a tenant. The mortgage is for a 15 year term secured on the property with an interest rate of 3.04% fixed for the first 10 years of the loan. Monthly repayment on the mortgage is £21,000 per month.

On 3 September 2021, the Company took out a term loan of £3,000,000 to fund part of the purchase of the acquisitions in the financial year ended 31 March 2022. The term loan is for a 4 year term secured on the assets of the Group with an interest rate of 2.70% above the Bank of England base rate. Monthly repayment on the loan is £70,000 per month.

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 24 Borrowings (continued)

During the year ended 31 March 2022 the invoice finance facilities were increased by £1.5m to accommodate the additional funding requirements of Emma Hardie and Brodie & Stone. The invoice finance facility permits the drawdown of 85% of eligible debts with an interest rate of 2.19% above the Bank of England base rate. The facility has been renewed for the year ended 31 March 2023 at the same level and rate as the prior year.

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

The bank overdraft is secured by fixed and floating charges over all the assets of the Group.

The invoice finance facility is secured on the trade receivables and a floating charge on all of the assets of the Group.

#### 25 Share capital

	Ordinary shares of 1p each	
	£000	Number
At 1 April 2021	648	64,852,243
Issued in the year	49	4,903,940
At 31 March 2022	697	69,756,183
Issued in the year	3	273,400
At 31 March 2023	700	70,029,583

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 £74,000 (2022: £564,000).

During the 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.

During the prior year the EBT purchased 215,259 ordinary shares in Creightons Plc at a cost of £0.24m, an average price per share of £1.09. All purchases are for the purpose of satisfying the Group's share options under the employee schemes.

#### 26 Equity settled share-based payments

The Company has a share option scheme which is open to any employee of the Group. Options granted under the scheme are for nil consideration and are exercisable at a price equal to the quoted market price of the Company's shares on the date of the grant except for the share options granted on 08 July 2020 which were issued at a discount of 14p to the market price on the date of issue. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the option expires. Options are forfeited if the employee leaves the Group before options vest.

Fair value is calculated using the Black-Scholes model as below.

	Ordinary shares of 1p each			
	2023		2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the period	10,013,960	44.05p	11,138,500	34.00p
Granted in the period	300,000	30.17p	2,495,000	91.95p
Exercised in the period	(273,400)	26.80p	(2,303,940)	24.48p
Lapsed in the period	(775,000)	72.48p	(1,315,600)	84.07p
Outstanding at the end of the period	9,265,560	30.62p	10,013,960	44.05p

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 26 Equity settled share-based payments (continued)

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

Granted	Exercise period	Number	Exercise price
Nov-14	2017 – 2024	1,300,000	5.50p
Sep-15	2019 – 2025	50,000	4.50p
Oct-18	2021 – 2028	3,568,060	26.80p
Jul-20	2023 – 2030	800,000	36.00p
Nov-20	2023 – 2030	800,000	48.00p
Mar-21	2024 – 2031	1,212,500	74.50p
Nov-21	2024 – 2031	1,135,000	97.73p
Mar-22	2025 – 2032	100,000	61.67p
Dec-22	2025 – 2032	300,000	30.17p
Outstanding at the end of the period		9,265,560	41.73p

The weighted average share price at the date of exercise for share options exercised during the period was 26.8p. The options outstanding at 31 March 2023 had a weighted average exercise price of 41.73p, and a weighted average remaining contractual life of 6.2 years.

The number of currently exercisable share options at 31 March 2023 is 4,918,060 (2022: 5,221,460). The weighted average exercise price of current exercisable options is 20.94p.

In the year ended 31 March 2023, options were granted on 16 December 2022. The aggregate of the estimated fair values of the options granted on those dates is £0.1m. In the year ended 31 March 2022, options were granted on 10 November 2021 and 24 March 2022. The aggregate of the estimated fair values of the options granted on those dates is £2.29m.

The share options granted during each period have been valued using a Black-Scholes model. The inputs to the Black-Scholes model are as follows:

	Year ended 31-Mar 2023						
Issue date	18-Oct-18	08-Jul-20	05-Nov-20	16-Mar-21	10-Nov-21	24-Mar-22	16-Dec-22
Weighted average share price (pence)	26.80p	50.00p	48.00p	74.50p	97.73p	61.67p	30.17p
Weighted average exercise price (pence)	26.80p	36.00p	48.00p	74.50p	97.73p	61.67p	30.17p
Expected volatility (%)	38.50%	49.67%	50.10%	40.20%	37.45%	42.11%	48.60%
Expected life - years	3	3	3	3	3	3	3
Risk free rate (%)	0.75%	0.75%	0.75%	0.75%	0.32%	0.32%	5.80%
Expected dividends (pence)	-	-	-	-	-	-	-

	Year ended 31-Mar 2022						
Issue date	18-Oct-18	08-Jul-20	05-Nov-20	16-Mar-21	10-Nov-21	24-Mar-22	
Weighted average share price (pence)	26.80p	50.00p	48.00p	74.50p	97.73p	61.67p	
Weighted average exercise price (pence)	26.80p	36.00p	48.00p	74.50p	97.73p	61.67p	
Expected volatility (%)	38.50%	49.67%	50.10%	40.20%	37.45%	42.11%	
Expected life - years	3	3	3	3	3	3	
Risk free rate (%)	0.75%	0.75%	0.75%	0.75%	0.32%	0.32%	
Expected dividends (pence)	-	-	-	-	-	-	

Expected volatility was determined by calculating the historical volatility of the share price over a basket of similar businesses over the previous two years.

The Group recognised total expenses of £101,000 (2022: £330,000) related to share-based payments.

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 27 Retirement benefit scheme

The Group operates defined contribution schemes for employees. The assets of the schemes are held separately from those of the Group. The Group also entered into an auto-enrolment pension scheme on 1 April 2014.

The charge in the consolidated income statement in the year was £438,000 (2022: £484,000) and cash contributions were £444,000 (2022: £470,000).

#### 28 Capital commitments

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Contracts placed for future capital expenditure not provided for in the financial statements	144	396	-	-

#### 29 Related party transactions

##### Transactions between the parent Company and its subsidiaries

The amounts owed by and to subsidiary companies are:

	2023 £000	2022 £000
Amounts receivable from subsidiary undertakings	4,233	4,455
Amounts payable to subsidiary undertakings	(35)	(35)

The Company received a dividend of £Nil (2022: £428,000) from Potter & Moore Innovations Limited.

During the year ended 31 March 2023 the Company charged rental charges of £350,000 (2022: £350,000) to Potter & Moore Innovations Limited.

##### Carty Johnson Limited

Carty Johnson Limited, a Company of which Mr Johnson is a Director and controlling shareholder provides internet support services. The following amounts were charged in the year:

	Year ended 31-Mar 2023 £000	Year ended 31-Mar 2022 £000
Charges for internet support services	58	37

Amounts owed to Carty Johnson Limited

	Year ended 31-Mar 2023 £000	Year ended 31-Mar 2022 £000
Amounts payable	-	-

## Creightons Plc Annual Report 2023

### Notes to the financial statements

#### 29 Related party transactions (continued)

##### Saxon Coast Consultants Limited

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

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	£000	£000
Charges for Company secretarial services	21	23

There were no amounts owed to Saxon Coast Consultants Limited at 31 March 2023 (2022: £Nil).

Details of the remuneration paid to related parties (as well as any salaries and bonuses waived) is included in the Directors Remuneration Report on pages 34 to 43.

##### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24, 'Related Party Disclosure'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 34 to 43.

	Year ended 31-Mar	Year ended 31-Mar
	2023	2022
	£000	£000
Salaries and other short term benefits	517	557
<b>Total</b>	<b>517</b>	<b>557</b>

#### 30 Notes supporting the cash flow statement

##### Group

##### Analysis of changes in net debt

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

	Overdraft	Invoice Financing	Mortgage	Loan	Total
	£000	£000	£000	£000	£000
At 1 April 2021	-	-	2,812	-	2,812
Cash flows	495	1,267	(253)	2,603	4,112
Interest accruing	-	-	83	42	125
<b>At 31 March 2022</b>	<b>495</b>	<b>1,267</b>	<b>2,642</b>	<b>2,645</b>	<b>7,049</b>

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

Notes to the financial statements

31 Deferred tax

The movement in deferred tax provision is analysed as follows.

	Group £000
At 1 April 2021	(339)
Recognised in the income statement	214
Recognised directly through equity	243
Deferred tax on intangibles	2,522
At 31 March 2022	<b>2,640</b>
Recognised in the income statement	(5)
Recognised directly through equity	303
Deferred tax on intangibles	4
At 31 March 2023	<b>2,942</b>

Deferred tax is represented by:

	Year ended 31-Mar 2023 £000	Year ended 31-Mar 2022 £000
Capital allowances in advance of depreciation	638	629
Share based payments	(112)	(497)
Acquisitions	2,526	2,522
Other temporary differences	(110)	(14)
Net deferred tax (asset) / liability	<b>2,942</b>	<b>2,640</b>

On 3 March 2021, it was substantively enacted that the rate of corporation tax from 1 April 2023 would increase from 19% to 25%, and therefore this has been considered when calculating deferred tax at the reporting date. Deferred tax balances at the reporting date are measured at 25% (2022: 19%).

	Accelerated tax depreciation PPE £000	Provision £000	Share based payment £000	Acquisitions £000	Losses carried forward £000	Total £000
At 1 April 2022	629	(14)	(497)	2,522	-	<b>2,640</b>
Charged to profit	9	30	82	-	(126)	<b>(5)</b>
Recognised in goodwill	-	-	-	4	-	<b>4</b>
Credited directly through equity	-	-	303	-	-	<b>303</b>
At 31 Mar 2023	<b>638</b>	<b>16</b>	<b>(112)</b>	<b>2,526</b>	<b>(126)</b>	<b>2,942</b>

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

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

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

**Notes to the financial statements**

**32 Operating leases**

**Company**

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

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

	<b>2023</b>	<b>2022</b>
Within one year	350	350
Between one and two years	350	350
Between two and three years	350	350
Between three and four years	350	350
Between four and five years	350	350
More than five years	4,050	4,400

**33 Guarantees and other financial commitments**

The Group has given a class guarantee facility with its bankers to HMRC in respect of import duties and VAT with a limit of £100,000 (2022: £100,000).

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

The Group has entered into a purchase credit card facility via its bankers with a limit of £30,000 (2022: £30,000)

**34 Employee Beneficial Trust (EBT)**

The Company created an Employee Beneficial Trust on 29 October 2021. The Trust was created to purchase and hold shares in Creightons Plc to satisfy share awards under the Groups share option scheme. There has been no movement in the EBT during the year ended 31 March 2023. During the prior year the EBT purchased 215,259 ordinary shares in Creightons Plc at a cost of £0.24m, an average price per share of £1.09.

## Creightons Plc Annual Report 2023

### Directors and Advisers

#### **Directors**

William O McIlroy  
Bernard JM Johnson  
William T Glencross  
Nicholas DJ O'Shea  
Philippa Clark  
Martin Stevens  
Paul Forster

Chairman  
Managing Director  
Non-executive Director  
Non-executive Director  
Deputy Managing Director  
Deputy Managing Director  
Non-executive Director

#### **Registered Office and number**

1210 Lincoln Road  
Peterborough  
PE4 6ND  
Registered in England & Wales No 01227964

#### **Company Secretary**

Saxon Coast Consultants Ltd

#### **Auditor**

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The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

#### **Registrars**

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#### **Bankers**

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Cathedral Square  
Peterborough  
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#### **Solicitors**

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#### **Financial Advisers**

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