

Creightons plc Group
Unaudited interim financial report
for the six months ended 30 September 2017

Financial highlights

- Revenue increased by 7% £16.7m. (2016: £15.6m).

- Operating profit margin of 5.8% (2016 5.1%).

- Profit before tax increased by 21% to £956,000 (2016: £790,000).

- Diluted EPS 1.09p (2016: 1.00p)

- ROCE 10.7% (2016: 9.5%)

- Paid final dividend of 0.23p per ordinary share in August 2017 (2016: No dividend).

- Interim dividend of 0.15p per ordinary share to be paid in December 2017

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Chairman's statement

The Group has continued to make progress in the first half of the year and the impact of the continuing growth can be seen in the results for the period ending 30 September 2017.

Sales

Group Sales were £16,734,000 for the six months ended 30 September 2017 (2016: £15,600,000) an increase of 7.3%. This has been achieved in conjunction with an order intake during the period which is 13.5% up on the same period last year. Sales have increased for the period through growth with key existing customers and by bringing on new customers. Sales of our branded products for the first 6 months have exceeded group growth at 12% through existing customers, new export markets and ongoing development of licenced brands. During the period we have focused on winning and extending business with key UK retailers which are growing their personal care and beauty market share as well as a realignment of key contract accounts based on margin performance.

Margin and overheads

Our gross margin was 42.1% in the six months to 30 September 2017 (2016: 41.0%). We have continued to benefit from the economies of scale generated by the sales growth in the year to March 2017 and on supplier base consolidation. We intend to focus efforts to improve our margins through targeted investment in plant and machinery which will increase production capacity and improve unit cost of manufacture. This will be key to our success especially in the current economic climate as we continue to see the trend of consumers in the UK focussing on value.

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

Profit before tax

Profit before tax was £956,000 (2016: £790,000), which represents an increase of 21.0%. The increased sales together with the tight control on costs results in an operating profit margin of 5.8% (2016: 5.1%).

Tax

It should be noted that the Group utilised all of its historic tax losses in the financial year to 31 March 2017 and therefore we have provided a tax charge within these results of £232,000 (2016: £119,000 – reduced rate due to utilization of historic losses).

Earnings per share

I am pleased to report that the impact of the above is a diluted earnings per share of 1.09p (2016: 1.00p) an increase of 9%.

Dividend Payments

The Board is pleased to announce that it will be paying an interim dividend of 0.15 pence per ordinary share, reflecting the continued strong performance the group has shown in the first half. I anticipate that this will be paid before Christmas. This is in addition to the dividend of 0.23 pence per ordinary share we paid in August 2017, the charge for which is shown in the accounts to 30 September 2017. The total payment in relation to the dividend paid in August was £139,000 (2016: £0).

Working capital and loans

Net cash on hand (cash and cash equivalents less short term borrowings and loans) is a net borrowing of £246,000 (2016: £43,000). The main reason for the decrease in net cash on hand is the higher working capital requirement to support the sales growth during the period.

The Board and I believe that this half year's sales of £16,734,000 and profit after tax of £724,000 continues to place the Company in a good position to take advantage of any opportunities that may arise.

I would like to take this opportunity to thank each and every one of the Group's employees for the hard work and effort they have put in over what has been a challenging period. I would also like to thank our customers, shareholders and suppliers for their support and loyalty to the Group.

W O McIlroy
Executive Chairman

21 November 2017

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Responsibility statement

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

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

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

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

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

By order of the Board

Nicholas O'Shea
Company Secretary and Director

21 November 2017

Principal risks and uncertainties

Risks

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

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

Capital structure, cash flow and liquidity

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

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Consolidated income statement – unaudited

| | Note | Six months ended 30 September (Unaudited) | | Year ended 31 March (Audited) |
|---|------|--|--------------|-------------------------------------|
| | | 2017 £000 | 2016 £000 | 2017 £000 |
| Revenue | | 16,734 | 15,600 | 30,586 |
| Cost of sales | | (9,691) | (9,201) | (17,598) |
| Gross profit | | 7,043 | 6,399 | 12,988 |
| Distribution costs | | (626) | (605) | (1,280) |
| Administrative expenses | | (5,452) | (4,995) | (10,195) |
| Operating profit | | 965 | 799 | 1,513 |
| Finance costs | | (9) | (9) | (24) |
| Profit before tax | | 956 | 790 | 1,489 |
| Taxation | 3 | (232) | (119) | (238) |
| Profit for the period from continuing operations attributable to the equity shareholders of the parent company | | 724 | 671 | 1,251 |

| Dividend | | Six months ended 30 September (Unaudited) | Six months ended 30 September (Unaudited) | Year ended 31 March (Audited) |
|----------------------------------|--|---|---|-------------------------------------|
| | | 2017 | 2016 | 2017 |
| Dividend Paid in period (£'000) | | 139 | - | - |
| Paid in period (pence per share) | | 0.23 | - | - |

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Earnings per share

| | Note | Six months ended 30 September (Unaudited) | | Year ended 31 March (Audited) |
|---------|------|---|-------|-------------------------------|
| | | 2017 | 2016 | 2017 |
| Basic | 2 | 1.20p | 1.12p | 2.09p |
| Diluted | 2 | 1.09p | 1.00p | 1.88p |

Consolidated statement of comprehensive income - Unaudited

| | | Six months ended 30 September (Unaudited) | | Year ended 31 March (Audited) |
|--|--|---|------------|-------------------------------|
| | | 2017 | 2016 | 2017 |
| | | £000 | £000 | £000 |
| Profit for the year | | 724 | 671 | 1,251 |
| Exchange differences on translating of foreign operations | | - | - | 3 |
| Exercise of derivatives | | 30 | - | 26 |
| Total comprehensive income for the period attributable to the equity holders of the company | | 754 | 671 | 1,280 |

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Consolidated balance sheet – unaudited

| | 30 September | | 31 March |
|---|-----------------------------|-----------------------------|---------------------------|
| | 2017 (Unaudited) £000 | 2016 (Unaudited) £000 | 2017 (Audited) £000 |
| Non-current assets | | | |
| Goodwill | 331 | 331 | 331 |
| Other intangible assets | 320 | 180 | 212 |
| Property, plant and equipment | 1,767 | 1,582 | 1,637 |
| | 2,418 | 2,093 | 2,180 |
| Current assets | | | |
| Inventories | 5,736 | 4,554 | 4,024 |
| Trade and other receivables | 7,901 | 6,373 | 4,861 |
| Cash and cash equivalents | 213 | 1,001 | 2,631 |
| Derivative financial instruments | 56 | 14 | 19 |
| | 13,906 | 11,942 | 11,535 |
| Total assets | 16,324 | 14,035 | 13,715 |
| Current liabilities | | | |
| Trade and other payables | 6,618 | 5,097 | 4,564 |
| Short term borrowings | 459 | 455 | 68 |
| Bank loan – under 12 months | - | 132 | 116 |
| Derivative financial instruments | - | 40 | 56 |
| | 7,077 | 5,724 | 4,804 |
| Net current assets | 6,829 | 6,218 | 6,731 |
| Non-current liabilities | | | |
| Deferred tax liability | 66 | - | 26 |
| Bank loan | - | 457 | 418 |
| | 66 | 457 | 444 |
| Total liabilities | 7,143 | 6,181 | 5,248 |
| Net assets | 9,181 | 7,854 | 8,467 |
| Equity | | | |
| Share capital | 606 | 599 | 606 |
| Share premium account | 1,260 | 1,249 | 1,259 |
| Other reserves | 25 | 25 | 25 |
| Translation reserve | (9) | (12) | (9) |
| Cash flow hedge reserve | 56 | (26) | (37) |
| Retained earnings | 7,243 | 6,019 | 6,623 |
| Total equity attributable to the equity shareholders | 9,181 | 7,854 | 8,467 |

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Statement of changes in shareholders' equity – unaudited

| | Share capital | Share premium account | Other reserves | Translation reserve | Cash flow hedge reserve | Retained earnings | Total |
|---|---------------|-----------------------|----------------|---------------------|-------------------------|-------------------|-------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2016 | 599 | 1,249 | 25 | (12) | (26) | 5,307 | 7,142 |
| Profit for six months ended 30 September 2016 | - | - | - | - | - | 671 | 671 |
| Share based payments | - | - | - | - | - | 41 | 41 |
| Exercise of derivatives | - | - | - | - | 26 | - | 26 |
| Charge in relation to derivative financial instruments | - | - | - | - | (26) | - | (26) |
| Balance at 30 September 2016 | 599 | 1,249 | 25 | (12) | (26) | 6,019 | 7,854 |
| Profit for six months ended 31 March 2017 | - | - | - | - | - | 580 | 580 |
| Share based payments | - | - | - | - | - | 49 | 49 |
| Exchange differences on translation of foreign operations | | | | 3 | - | - | 3 |
| Exercise of options | 7 | 10 | - | - | - | - | 17 |
| Charge in relation to derivative financial instruments | - | - | - | - | (11) | - | (11) |
| Deferred tax through Equity | | | | | | (25) | (25) |
| Balance at 31 March 2017 | 606 | 1,259 | 25 | (9) | (37) | 6,623 | 8,467 |
| Profit for six months ended 30 September 2017 | - | - | - | - | - | 724 | 724 |
| Payment of dividend | - | - | - | - | - | (139) | (139) |
| Share based payments | - | - | - | - | - | 35 | 35 |
| Exercise of options | - | 1 | - | - | - | - | 1 |
| Exercise of derivatives | - | - | - | - | 30 | - | 30 |
| Charge in relation to derivative financial instruments | - | - | - | - | 63 | - | 63 |
| Balance at 30 September 2017 | 606 | 1,260 | 25 | (9) | 56 | 7,243 | 9,181 |

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Consolidated cash flow statement – unaudited

| | Note | Six months ended 30 September (Unaudited) | | Year ended 31 March (Audited) |
|---|------|--|--------------|-------------------------------------|
| | | 2017 £000 | 2016 £000 | 2017 £000 |
| Net cash (outflow) / inflow from operating activities | 4 | (1,532) | (403) | 2,058 |
| Cash flow from investing activities | | | | |
| Purchase of property, plant and equipment | | (296) | (350) | (551) |
| Expenditure on intangible assets | | (309) | (98) | (306) |
| Net cash (used in) investing activities | | (605) | (448) | (857) |
| Cash flow from financing activities | | | | |
| Repayment of finance lease obligations | | - | (7) | (7) |
| Proceeds on issue of shares | | 1 | - | 17 |
| Payment of dividend | | (139) | - | - |
| (Repayment) / increase of bank loans and invoice finance facilities | | (143) | 1,044 | 602 |
| Net cash (used in) / generated from financing activities | | (281) | 1,037 | 612 |
| Net (decrease) / increase in cash and cash equivalents | | (2,418) | 186 | 1,813 |
| Cash and cash equivalents at start of period | | 2,631 | 814 | 814 |
| Effect of foreign exchange rate changes | | - | 1 | 4 |
| Cash and cash equivalents at end of period | | 213 | 1,001 | 2,631 |

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Notes to the unaudited interim financial report

1. Basis of preparation

The interim financial statements for the six months ended 30 September 2016 and 30 September 2017 and for the twelve months ended 31 March 2017 do not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements for the year ended 31 March 2017 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 March 2017 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006. The 30 September 2017 statements were approved by the Board of Directors on 21 November 2017. This unaudited interim report has not been audited or reviewed by auditors pursuant to the Financial Reporting Council guidance on Review of Interim Financial Information.

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

As required by the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, the condensed set of financial statements has been prepared by applying the accounting policies and presentation that were applied in the preparation on the Company's published consolidated financial statements for the year ended 31 March 2017, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The condensed interim financial statements for the six months ended 30 September 2017 and the comparative figures for the six months ended 30 September 2016 are unaudited. The figures for the year ended 31 March 2017 have been extracted from the Annual Report on which the Auditors issued an unqualified audit report and which have been filed with the Registrar of Companies.

2. Earnings per share

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

| | Six months ended 30 September (Unaudited) | | Year ended 31 March (Audited) |
|---|--|--------------|-------------------------------------|
| | 2017 £000 | 2016 £000 | 2017 £000 |
| Earnings | | | |
| Net profit attributable to the equity holders of the parent company | 724 | 671 | 1,251 |

| | Six months ended 30 September (Unaudited) | | Year ended 31 March (Audited) |
|---|--|----------------|-------------------------------------|
| | 2017 Number | 2016 Number | 2017 Number |
| Number of shares | | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 60,563,551 | 59,837,243 | 59,905,805 |
| Effect of dilutive potential ordinary shares relating to Share options | 5,928,689 | 7,005,000 | 6,850,137 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 66,492,240 | 66,842,243 | 66,755,942 |

3. Taxation

| | Six months ended 30 September (Unaudited) | | Year ended 31 March (Audited) |
|--------------|--|--------------|-------------------------------------|
| | 2017 £000 | 2016 £000 | 2017 £000 |
| Current tax | 192 | 119 | 237 |
| Deferred tax | 40 | - | 1 |
| Total | 232 | 119 | 238 |

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

| | Six months ended 30 September (Unaudited) | | Year ended 31 March (Audited) |
|---|--|-------|-------------------------------------|
| | 2017 | 2016 | 2017 |
| | £000 | £000 | £000 |
| Profit before taxation | 956 | 790 | 1,489 |
| Tax charge at the UK corporation tax rate of 19% (2016 – 20%) | (182) | (158) | (298) |
| Tax effect of expenses that are not deductible in determining taxable profit | (7) | - | (1) |
| Deferred tax charge on temporary differences | (1) | - | (1) |
| Deferred tax credited directly to retained earnings | - | - | 25 |
| Adjustment in respect of prior periods | (56) | - | - |
| Tax effect of utilisation of brought forward tax losses | - | 54 | 54 |
| Adjust closing deferred tax to average rate | (12) | - | 5 |
| Adjust opening deferred tax to average rate | (3) | - | 1 |
| Deferred tax not recognised | - | - | 9 |
| Other differences | 29 | (15) | (32) |
| Total expense and effective rate for the year | (232) | (119) | (238) |

4. Notes to cash flow statement

| | Six months ended 30 September (Unaudited) | | Year ended 31 March (Audited) |
|--|--|--------------|-------------------------------------|
| | 2017 | 2016 | 2017 |
| | £000 | | |
| Profit from operations | 733 | 680 | 1,275 |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | 166 | 142 | 288 |
| Amortisation of intangible assets | 201 | 157 | 333 |
| Share based payment charge | 35 | 41 | 90 |
| | 1,135 | 1,020 | 1,986 |
| Increase in inventories | (1,712) | (640) | (112) |
| Increase in trade and other receivables | (3,040) | (2,324) | (813) |
| Increase in trade and other payables | 2,054 | 1,551 | 1,021 |
| Increase in deferred tax provision | 40 | - | 26 |
| Movement in non-cash derivatives | - | - | (26) |
| Cash (utilised in) / generated from operations | (1,523) | (393) | 2,082 |
| Interest (paid) | (9) | (8) | (24) |
| Net cash (outflow) / inflow from operating activities | (1,532) | (401) | 2,058 |

5. Related party transactions

The related party transactions that occurred in the six months ended 30 September 2017 are not materially different in size or nature to those reported in the Company's Annual Report for the year ended 31 March 2017.

6. Availability of Interim Report

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