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This strategic report with supplementary material is a summary of information derived from the company’s annual report. The Annual Report for 2019, together with this strategic report with supplementary material and notice of the annual general meeting, which contains other information required by section 311A of the Companies Act 2006, is available on our website at www.creightonsplc.com or by post, free of charge, by writing to Creightons Plc, 1210 Lincoln Road, Peterborough, Cambridgeshire PE4 6ND.

The auditor has issued unqualified reports on the full annual financial statements, the auditable part of the directors’ remuneration report and on the consistency of the strategic report and the directors’ report with those annual financial statements. Their report on the full annual financial statements and the auditable part of the directors’ remuneration report contained no statement under sections 498(2) or 498(3) of the Companies Act 2006.

Highlights

Financial highlights

Revenue increased by 26.4% to £44.0m (2018: £34.8m).

Operating profit increased by 77.4% to £2,900,000 (2018: £1,635,000).

Operating profit margin of 6.6% (2018: 4.7%).

Balance sheet remains strong after significant investment in working capital, product development and fixed assets to support organic growth.

A tax credit of £22,000 relates to current and prior year credit of £539,000 in respect of R&D relief claimed.

The profit for the year has increased by £1,659,000 to £2,891,000 (2018: £1,232,000).

The profit increase has improved the fully diluted earnings per share to 4.16p (2018: 1.85p).

Proposed final dividend 0.40p per ordinary share (2018: 0.23p).

Highlights

continued

Operational highlights

Sales growth momentum maintained:

Sales of retailer own label products increased by 42.0%

Contract sales growth by 31.7%

Our own branded sales have grown by 1.4%, including export sales growth of 8.1%

Total overseas sales have increased by 9.0% to £5m (2018: £4.6m).

~

Focus on transitioning brands into higher price point and mass/“masstige” retail distribution listings with wider distribution of the Curl Company and Feather & Down with post year end listings for BAMbeautiful.

~

Cash generated from operations has been invested in working capital, product development and plant & equipment to support the business growth.

~

Tube and bottle filling capacity increased by 20% and 33% respectively following the purchase of two new high capacity production lines.

~

Invested in far east sourcing structure to access lower cost components.

~

Outsourced the warehousing and distribution of the majority of our finished goods to a third-party logistics provider.

~

Both Feather & Down and BAMBeautiful shortlisted for upcoming prestigious beauty awards to be announced later this year.

Chairman's statement

The Group has continued its recent expansion with organic sales growth of 26.4% resulting in sales of £44.0m for the year ended 31 March 2019 (2018: £34.8m). This has driven a 77.4% increase in operating profit to £2,900,000 (2018: £1,635,000).

Sales

Group sales have increased across all three of our sales streams. Private label and contract sales have continued to grow, increasing by 42.0% and 31.7% respectively. Major range extensions with our largest customer and the continued growth with a major retailer in the UK were the main drivers of this increase. Sales of our branded products have increased by 1.4% in the period with the growth driven by more premium brands such as Feather & Down, which continues to perform both with current customers and extended distribution, and The Curl Company with wider distribution in both the UK and overseas delivering continued growth. The discount sector continues to be a competitive market with many of the grocers moving away from brands to focus on their private label offering, which resulted in a reduction in sales. Export sales of branded products continued to grow by 8.1% in the year.

The Group's total overseas business including the Australian subsidiary and non-own branded customers has grown by 9.0% to £5,005,000 (2018: £4,592,000).

Margin and cost of goods

Our gross margin was 39.4% for the year ended 31 March 2019 (2018: 40.6%). The main driver has been a change in sales mix in the period with a higher proportion of sales from our private label customers, which typically have lower margin and a lower proportion of higher margin branded sales. All outsourced production, which had an incremental cost of £68,000 in the year (2018: £229,000) has been brought back in house. Margins have been adversely impacted by rises in the national living wage and by raw material prices increases. We have benefited from the economies of scale generated by the sales growth, continued improvements in productivity and we have successfully re-sourced many raw materials during the year to mitigate the impact of underlying price increases. The re-sourcing exercise is continuing and we have invested in an overseas sourcing structure to access more cost-effective sources of supply. During the period we have made significant investment in new equipment in order to increase capacity and whilst capacity rather than productivity has been the main driver there have been significant productivity gains arising from this expansion programme.

Chairman's statement

continued

Distribution Costs and Overheads

Distribution costs have increased by 49.0% to £2,204,000 (2018: £1,479,000), partly driven by organic growth but also due to the decision to outsource the warehousing and distribution of our finished goods to a third-party logistics provider. This process is complete and was critical in enabling the Group to deliver the sales growth.

Overhead costs have increased by 10.9% in the year as the Group has invested in increased resources as it builds a team capable of delivering the growth anticipated for the future. The improved 26.4% sales growth compared to 10.9% increased overheads demonstrate the operational leverage the Group has been able to deliver. We will continue to manage our overhead cost base requirements to ensure they are aligned with the anticipated sales levels of the Group.

Research and Development

The Group invests significant resources in research and product development. As the Group has developed its business towards more leading-edge products the nature of the research and development has become more sophisticated. The total investment in research and development where we have made claims for R&D tax relief in the year is £721,000 (2018: £726,000).

Operating profit

Operating profit increased by £1,265,000 (77.4%) to £2,900,000 (2018: £1,635,000). The growth in sales along with a controlled overhead base have driven an increase in operating profit margin to 6.6% (2018: 4.7%).

Tax

The Group's tax charge for the year was a credit of £22,000 (2018: charge of £377,000) which equates to a rate of minus 0.8% (2018: charge 23.4%). The effective rate of tax is significantly less than the standard rate of 19% (2018: 19%). The main reason for this reduction is the R&D relief claims for the current year of £178,000 and prior years of £361,000 although there are other one off timing differences. With the Group's continuing research and development into products we expect the underlying tax rates for future years to be in the region of 13% as long as the R&D relief remains available.

Profit after tax

The Group's profit after tax has increased by £1,659,000 (134.7%) to £2,891,000 for the year ended 31 March 2019 (2018: £1,232,000).

Earnings per share

The diluted earnings per share of 4.16p (2018: 1.85p) is an increase of 124.9%.

Chairman's statement

continued

Working capital

Net borrowings (cash and cash equivalents less bank loan and short-term borrowings) is £383,000 (2018: Net cash on hand £221,000). The main reason for the decrease in net cash on hand is the impact of increased investment in working capital together with increased investment in new product development and plant and equipment to support the sales growth. The Group had also invested in stock as part of its Brexit planning strategy. Following the decision to delay Brexit and the fact that the duty and trading implications of a non-deal Brexit are more clearly understood the Group is unwinding this investment in stock with a consequential increase in the Group's cash resources. The Group has continued to focus on working capital management and whilst both stock levels and trade debtors have increased the ratios continue to be largely in line with expectations. High sales in the last month of the year have driven an increase in debtors.

Share Options

The Board gained shareholders' approval and implemented a new Company Share Option Plan in October 2018 with the grant of 6,737,200 options to the employees employed for more than 6 months and Directors of the business. The Board considers that rewarding such a large proportion of employees is a significant motivator and helps the Group deliver its sales and profit growth.

Dividend

The Board proposes a final dividend of 0.40 pence per ordinary share, subject to approval at the AGM, an increase of 0.17p more than last year's final dividend of 0.23p. This is in line with the directors' intention to align future dividend payments to the underlying earnings and cash flow of the business. Together with the interim dividend of 0.15p per share paid last December, the total dividend payable for the year ended 31 March 2019 is 0.55p (2018: 0.38p).

The Board believes that this year's sales of £44,030,000, profit after tax of £2,891,000 and our strong balance sheet places the Group 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 to support the business through a period of significant expansion. I would also like to thank our customers, shareholders and suppliers for their support and loyalty to the Group.

William McIlroy
Chairman

25 June 2019

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 which are significant to Creightons Plc and its subsidiary undertakings when viewed as a whole.

The strategic report discusses the following areas:

- The business model
- A fair review of the Group's business
- Strategy and objectives
- Key performance indicators
- Principal risks and uncertainties
- Corporate and social responsibility
- Going concern

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 5 to 7.

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

Group strategic report

continued

A fair review of the Group's business

History

Creightons Plc was registered in 1975 to continue the business of manufacturing and marketing toiletries made exclusively from natural products first established in 1953. It created a number of proprietary brands, although it focused mainly on private label and contract manufacturing. It was first 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 2017 further increasing the Group's sales reach in terms of product and premium customers and adding to manufacturing capability and capacity.

The first dividend for nearly 20 years was paid in 2015 and now as a result of the improved profitability the Company also made the decision to increase its declared dividends to 0.55p (2018: 0.38p) in the year to March 2019.

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 being developed to treat different hair types and conditions. Whilst adding some complexity, this segmentation creates opportunities for our business.

We also now operate in the home fragrance sector, reed diffusers and room fragrance. This sector is fragrance driven, fast moving and dynamic in line with changing consumer tastes and home interior trends.

Consumers purchase our products through a range of retail and internet outlets, from high quality department stores to low-cost discounters, with the high street supermarkets and drug stores in the middle. The majority 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 market place range from major multinational corporations to small businesses. Production and manufacturing are now world-wide, with many competitors sourcing a significant proportion of their products from outside the UK or EU, either due to greater economies of scale or due to a lower cost base.

Group strategic report

continued

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

Recent developments

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;
- private label business which focuses on high quality private label products for major high street retailers and supermarket chains; and
- contract manufacturing business, which develops and manufactures products on behalf of third-party brand owners. This stream includes the more premium customers of Potter & Moore (Devon) Ltd.

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.

Over the past few years the Group has invested in a number of brands along with their existing brand owners. These operate within the existing branded products business stream. We continue exploring further opportunities of this nature where the benefits of developing existing established brands with the brand owners will add contribution to the Group's profits and value to the brand.

In the recent past, the Group has disposed of several brands and businesses such as "the Real Shaving Company" and "TS Ventures" which we had successfully grown but which it was felt were no longer part of our core business. The Group considers the development and investment in new brands to be a key adding value to the 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.

Group strategic report

continued

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 IFRS requirements.

The Group has continued its aggressive development programme of new ranges of branded toiletries, hair care and skincare products, with Feather & Down successfully launched in the year. The Group continues to extend and develop those already successfully launched such as *Amie Skincare*, *The Curl Company*, *Creightons Haircare brands*.

Strategy and objectives

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 and brands) within the UK and increasingly overseas.
- 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 which will help us maintain and grow our business and create brand value which can crystallise through disposals to third parties.

Group strategic report

continued

Key performance indicators

Management and monitoring of performance

Your directors are mindful that although Creightons Plc is a UK Listing Authority “premium” listed company, in size it is really only medium sized and therefore many of the ‘big business’ features common in premium listed companies are inappropriate. Recent year’s profitable results have been achieved only 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.

The Group therefore 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 Board regularly monitors performance against several key financial indicators, including gross margin, production efficiency, overhead cost control, cash/borrowing and stocking levels.

Performance is monitored monthly against both budget and prior year.

Financial key performance indicators

| | 2018/19 | 2017/18 | Movement |
|--|--------------------|-------------|----------------------|
| Sales | £44,030,000 | £34,810,000 | Increase of 26.4% |
| Gross Margin as a % of Revenue | 39.4% | 40.6% | Reduction of 1.2% |
| Profit for the year | £2,891,000 | £1,232,000 | Increase of 134.7% |
| Operating profit | £2,900,000 | £1,635,000 | Increase of 77.4% |
| Operating profit as a % of Revenue | 6.6% | 4.7% | Improvement of 1.9% |
| Return on capital employed | 22.9% | 12.8% | Improvement of 10.1% |
| Net gearing (including obligations under finance leases) | 4.6% | (2.3%) | Improvement of 6.9% |

There were 4 incidents involving employees or contractors on the Group’s sites which were required to be reported to the Health & Safety Executive during the year (2018: 3). None of these resulted in adverse HSE reports or recommendations. All those 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.

Group strategic report

continued

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. Further details of financial risks are set out in Note 21 to the financial statements.

Capital structure, cash flow and liquidity

The Group has a strong balance sheet with working capital investment at the year end. The business is funded using retained earnings, invoice discounting, overdraft and hire purchase facilities secured against the Group's assets. Further details are set out in Notes 23 – 26 to the financial statements.

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 and quality audits covering both accreditations held and a number of specific operating standards our customers require us to comply with.

Group strategic report

continued

Research and development

The Group undertakes research and development to identify new brands, proprietary products and improved formulations to existing products which address expected market trends and customer and consumer demands to maximise the Group's market share and deliver new opportunities for growth.

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.

Brexit

As the UK Government continues its negotiations, uncertainty remains as to the extent to which our operations and financial performance will be affected in the longer term. At a Group and business level, we have continued to prepare for changes in legislation, trade agreements and working practices in order to take advantage of any opportunities arising and to mitigate risk. The Group operates globally and may be affected by Brexit developments, which could provide a number of challenges. The Group is continuously monitoring events and putting mitigating actions in place including the registration of a new subsidiary Potter & Moore Ltd based in Ireland to be used as an EU base for recording regulatory information. Trading with our EU customers and suppliers could be more complex. Any actual or perceived barriers to free trade are an obvious area of concern for us. As a result of Brexit, the Group is exposed to potential currency fluctuations. Brexit and trade barriers continue to be an integral part of the Group's ongoing risk management and review process, for which solutions to address the risks identified and implemented. Although there is still uncertainty surrounding the outcome of Brexit, we do not expect the direct consequences of Brexit to have a material impact on the Group.

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.

Environment

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.

Group strategic report

continued

Employees

We value and respect our employees and endeavour to engage their talent and ability fully. The Group does not operate a formal personal performance appraisal process, but individual managers and supervisors undertake continuous performance monitoring and appraisal for their subordinates, and routinely report the results of these to their own managers. 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 table below shows the number of employees by gender in the Group as at 31 March 2019.

| | Group 2019 | | Company 2019 | |
|--|------------|------|--------------|------|
| | Female | Male | Female | Male |
| Directors, including Non-executive Directors | 2 | 6 | 2 | 6 |
| Senior Managers | 2 | 2 | – | – |
| Other employees | 256 | 160 | – | – |

| | Group 2018 | | Company 2018 | |
|--|------------|------|--------------|------|
| | Female | Male | Female | Male |
| Directors, including Non-executive Directors | 2 | 6 | 2 | 6 |
| Senior Managers | 2 | 3 | – | – |
| Other employees | 219 | 137 | – | – |

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

Going concern

The directors are pleased to report that the Group continues to meet its debt obligations and expects to operate comfortably within its available borrowing facilities. 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 25 June 2019 and signed on its behalf by:

Bernard Johnson
Managing Director

Supplementary material

Directors' remuneration

The tables below represent the directors' remuneration for the years ended 31 March 2019 and 31 March 2018. 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 | 2019 | | | | 2018 | | | |
|--------------|------|---------------------------|--------------------------|-------------------|-----------------|---------------------------|--------------------------|-------------------|-----------------|
| | | Salary and fees £000's | Annual bonuses £000's | Pension £000's | Total £000's | Salary and fees £000's | Annual bonuses £000's | Pension £000's | Total £000's |
| WO McIlroy | 1 | 25 | 150 | – | 175 | – | 85 | – | 85 |
| BJM Johnson | 2 | 92 | 150 | – | 242 | 92 | 85 | – | 177 |
| P Clark | | 86 | 10 | 4 | 100 | 81 | 9 | 3 | 93 |
| M Stevens | | 81 | 12 | 8 | 101 | 77 | 9 | 7 | 93 |
| P Forster | | 80 | 11 | 7 | 98 | 76 | 9 | 6 | 91 |
| Total | | 364 | 333 | 19 | 716 | 326 | 197 | 16 | 539 |

The remuneration of the Non-executive Directors for the years ended 31 March 2019 and 31 March 2018 is made up as follows:

Non-executive Directors' remuneration as a single figure

| Director | Note | 2019 | | | 2018 | | |
|--------------|------|---------------------------|---------------------------|-----------------|---------------------------|---------------------------|-----------------|
| | | Salary and fees £000's | Taxable benefit £000's | Total £000's | Salary and fees £000's | Taxable benefit £000's | Total £000's |
| MT Carney | | 15 | – | 15 | 20 | – | 20 |
| NDJ O'Shea | 3 | 16 | – | 16 | 20 | – | 20 |
| WT Glencross | | 15 | 2 | 17 | 20 | 1 | 21 |
| Total | | 46 | 2 | 48 | 60 | 1 | 61 |

Supplementary material

continued

Note

- 1 Mr McIlroy earned a salary of £25,000 with all other payments made to Mr McIlroy's service company, Oratorio Developments Ltd (formerly Lesmac Securities Limited).
- 2 Mr Johnson earns a salary of £10,000 per annum with all other payments made to his service company, Carty Johnson Limited.
- 3 All payments are made to Mr O'Shea's employer, Saxon Coast Consultants Limited.

All other directors' remuneration is paid directly to the individual directors.

In 2018 Mr W McIlroy waived his entitlement to receive payment of his salary of £25,000, although he did not waive entitlement to bonuses.

Taxable benefits

The taxable benefit for Mr William Glencross relates to his membership of the Group's medical scheme, which commenced prior to him stepping down as an Executive Director.

Payments for loss of office

No Executive Directors left the company during the year ended 31 March 2019 and therefore no payments in respect of compensation for loss of office were paid or payable to any director (2018: nil).

Share options

During the year Mr M Stevens was the only director to exercise share options, exercising 400,000 (2018: no director exercised share options). The directors were awarded share options as shown in the table on page 19 that can be exercised between 2021–2028 at an exercise price of 26.80p (2018: no share options were awarded). There is a vesting period of over 3 years. The share options were awarded to the directors as part of the Company's on-going 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. There was £32,000 expense relating to this award in the year ended 31 March 2019. This is not included in the Directors' remuneration table on page 17.

Supplementary material

continued

Directors' shareholdings

The directors who held office at 31 March 2019 had the following beneficial interests in the 1p ordinary shares of the company:

| Director | At 31 March 2019 | | | | |
|------------------------|------------------|--|--|---|--------------------|
| | Number of shares | Options | | | Total options held |
| | | Exercise period of 2017 – 2024 price 5.50p | Exercise period of 2018 – 2025 price 4.50p | Exercise period of 2021 – 2028 price 26.80p | |
| Mr William O McIlroy | 16,219,275 | 1,300,000 | – | 900,000 | 2,200,000 |
| Mr Bernard JM Johnson | 4,787,844 | – | 1,300,000 | 900,000 | 2,200,000 |
| Mr Nicholas DJ O'Shea | 100,000 | – | – | 150,000 | 150,000 |
| Mr William T Glencross | 67,500 | – | – | 150,000 | 150,000 |
| Ms M Carney | – | – | – | 150,000 | 150,000 |
| Ms P Clark | 451,818 | – | 400,000 | 600,000 | 1,000,000 |
| Mr M Stevens | 981,818 | – | – | 400,000 | 400,000 |
| Mr P Forster | 749,318 | – | 500,000 | 300,000 | 800,000 |

| Director | At 1 April 2018 | | | |
|------------------------|------------------|--|--|--------------------|
| | Number of shares | Options | | Total options held |
| | | Exercise period of 2017 – 2024 price 5.50p | Exercise period of 2018 – 2025 price 4.50p | |
| Mr William O McIlroy | 16,219,275 | 1,300,000 | – | 1,300,000 |
| Mr Bernard JM Johnson | 4,787,844 | – | 1,300,000 | 1,300,000 |
| Mr Nicholas DJ O'Shea | 100,000 | – | – | – |
| Mr William T Glencross | 67,500 | – | – | – |
| Ms P Clark | 501,818 | – | 400,000 | 400,000 |
| Mr M Stevens | 581,818 | – | 400,000 | 400,000 |
| Mr P Forster | 749,318 | – | 500,000 | 500,000 |

Supplementary material

continued

All of the above options relate to ordinary shares in Creightons Plc. The market prices of these shares are included in the table of the full report.

Remuneration Committee

The Board has established a Remuneration Committee to determine the remuneration of directors of the company. The members of the Committee during the year and the prior year were Nicholas O'Shea and Mary Carney. In determining the directors' remuneration, the Committee consulted the Chairman. There have been two meetings of the Committee during the period, attended by both Ms Carney and Mr O'Shea.

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. The last review was undertaken during March 2019 and three of the executive 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.

Supplementary material

continued

Directors' performance bonuses

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 2019, 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 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. 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 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.

The contracts for Ms Clark, Mr Stevens and Mr Forster all include a Group bonus scheme, where employees are entitled to a bonus of 7.5% of earnings if the Group hits the profit target for the period and additional payments in relation to key performance indicator targets which were partially achieved during the year.

Share option schemes

The policy of the Company is to grant share options to all employees including both Executive and Non-Executive Directors as an incentive to enhance shareholder value.

Supplementary material

continued

Service contracts

| Name of Director | Date of service contract | Date contract last amended | Notice period |
|---|--------------------------|----------------------------|---------------|
| WO McLlroy (chairman's contract) | 6 Feb 2003 | 1 Mar 2019 | 12 months |
| WO McLlroy (director's contract with employer) | 16 Jan 2002 | 1 Mar 2019 | 12 months |
| BJM Johnson (director's contract) | 16 Jan 2002 | 1 Mar 2019 | 12 months |
| BJM Johnson (manager's contract with employer) | 16 Jan 2002 | 1 Mar 2019 | 12 months |
| MT Carney (non-executive) | 29 Nov 1999 | 1 Mar 2019 | 3 months |
| NDJ O'Shea (non-executive) | 5 Jul 2001 | 1 Mar 2019 | 3 months |
| WT Glencross (non-executive) | 31 Jul 2005 | 1 Mar 2019 | 3 months |
| P Clark (Global Sales & Marketing Director) | 9 Feb 2015 | 1 Mar 2019 | 3 months |
| M Stevens (Deputy Managing Director) | 9 Feb 2015 | 1 Mar 2019 | 3 months |
| P Forster (Group Finance & Commercial Director) | 9 Feb 2015 | 1 Mar 2019 | 3 months |

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 may not participate in any personal performance bonus, and are not eligible for pension contributions. 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, 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 also include an element of profit-related bonus based on the performance of the Company and of sales value related bonus for the disposal of all or parts of the toiletries business.

Supplementary material

continued

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 25 June 2019 and signed on its behalf by:

Mr Paul Forster

Group Finance & Commercial Director

Supplementary material

continued

Consolidated income statement

| | Year ended 31 March 2019 £000 | Year ended 31 March 2018 £000 |
|--|--|--|
| Revenue | 44,030 | 34,810 |
| Cost of sales | (26,690) | (20,660) |
| Gross profit | 17,340 | 14,150 |
| Distribution costs | (2,204) | (1,479) |
| Administrative expenses | (12,236) | (11,036) |
| Operating profit | 2,900 | 1,635 |
| Finance costs | (31) | (26) |
| Profit before tax | 2,869 | 1,609 |
| Taxation | 22 | (377) |
| Profit for the year from continuing operations attributable to the equity shareholders of the parent company | 2,891 | 1,232 |

Dividends

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|--------------------------------|--------------------------------|--------------------------------|
| Paid in year (£000) | 233 | 230 |
| Paid in year (pence per share) | 0.38p | 0.38p |
| Proposed (£000) | 253 | 139 |
| Proposed (pence per share) | 0.40p | 0.23p |

Earnings per share

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---------|--------------------------------|--------------------------------|
| Basic | 4.69p | 2.03p |
| Diluted | 4.16p | 1.85p |

The profit of the parent company was £233,000 (2018: £230,000).

Supplementary material

continued

Consolidated balance sheet

| | 31 March 2019 £'000 | 31 March 2018 £'000 |
|----------------------------------|---------------------------|---------------------------|
| Non-current assets | | |
| Goodwill | 331 | 331 |
| Other intangible assets | 418 | 349 |
| Property, plant and equipment | 2,363 | 1,832 |
| | 3,112 | 2,512 |
| Current assets | | |
| Inventories | 8,015 | 5,499 |
| Trade and other receivables | 8,280 | 7,667 |
| Cash and cash equivalents | 349 | 968 |
| | 16,644 | 14,134 |
| Total assets | 19,756 | 16,646 |
| Current liabilities | | |
| Trade and other payables | 6,339 | 6,260 |
| Obligations under finance leases | 40 | – |
| Borrowings | 732 | 747 |
| | 7,111 | 7,007 |
| Net current assets | 9,533 | 7,127 |

Supplementary material

continued

Consolidated balance sheet

continued

| | 31 March 2019 £000 | 31 March 2018 £000 |
|---|--------------------------|--------------------------|
| Non-current liabilities | | |
| Deferred tax liability | 25 | 34 |
| Obligations under finance leases | 154 | – |
| | 179 | 34 |
| Total liabilities | 7,290 | 7,041 |
| Net assets | 12,466 | 9,605 |
| Equity | | |
| Share capital | 625 | 607 |
| Share premium account | 1,329 | 1,262 |
| Other reserves | 25 | 25 |
| Retained earnings | 10,487 | 7,711 |
| Total equity attributable to the equity shareholders of the parent company | 12,466 | 9,605 |

The strategic report with supplementary information was approved by the board of directors and authorised for issue on 25 June 2019. They were signed on its behalf by:

Bernard Johnson
Managing Director

Supplementary material

continued

Consolidated cash flow statement

| | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|---|---|---|
| Net cash generated from/(used in) operating activities | 958 | (413) |
| Investing activities | | |
| Purchase of property, plant and equipment | (1,026) | (633) |
| Purchase of intangible assets | (583) | (549) |
| Net cash used in investing activities | (1,609) | (1,182) |
| Financing activities | | |
| Proceeds from new finance leases | 198 | – |
| Repayment of finance lease obligations | (5) | – |
| Proceeds on issue of shares | 85 | 4 |
| Increase in invoice financing facilities | 398 | – |
| (Decrease)/increase of borrowings | (413) | 679 |
| Repayment of bank loans | – | (534) |
| Dividends paid to owners of the parent | (233) | (230) |
| Net cash generated from/(used in) financing activities | 30 | (81) |
| Net decrease in cash and cash equivalents | (621) | (1,676) |
| Cash and cash equivalents at start of year | 968 | 2,631 |
| Effect of foreign exchange rate changes | 2 | 13 |
| Cash and cash equivalents at end of year | 349 | 968 |

Notice of meeting

Notice is hereby given that the Annual General Meeting of the company will be held at the offices of Potter & Moore Innovations Ltd, 1210 Lincoln Road, Peterborough, PE4 6ND on 14 August 2019 at 12:00 noon in order to consider and, if thought fit, pass the following resolutions:

1. To receive and consider the Group's financial statements and reports of the directors and auditor for the year ended 31 March 2019.
2. To receive and approve the directors' remuneration report for the year ended 31 March 2019.
3. To approve the directors' remuneration policy as detailed in pages 20 to 21 of the directors' remuneration report.
4. To re-elect Mr Nicholas O'Shea, who is retiring by rotation under the provisions of Article 76 of the Articles of Association, who, being eligible, offers himself for re-election as a director of the company.
5. To re-elect Mr William Glencross, who is retiring by rotation under the provisions of Article 76 of the Articles of Association, who, being eligible, offers himself for re-election as a director of the company.
6. To re-elect Ms Mary Carney, who is retiring by rotation under the provisions of Article 76 of the Articles of Association, who, being eligible, offers herself for re-election as a director of the company.
7. To approve the proposed dividend of 0.40 pence per share.
8. To appoint BDO LLP as auditor and to authorise the directors to determine their remuneration.
9. As an ordinary resolution:-

“That, in terms of Article 6 of the company's Articles of Association, the directors of the company be and they are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 to exercise all the powers of the company to allot relevant securities (within the meaning of the said Section 551) of the company up to an aggregate nominal value of £210,487.14 (representing approximately one third of the current issued ordinary share capital) provided that this authority shall expire on the date of the next annual general meeting of the company after the passing of this resolution or, if earlier, fifteen months after the passing of this resolution unless previously renewed, varied or revoked by the company in general meeting and provided that the company may before such expiry make an offer or agreement which would or

Notice of meeting

continued

might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired, this authority to replace any existing like authority given prior to the date hereof which is hereby revoked with immediate effect.”

10. As a special resolution:-

“That, without prejudice to any existing powers in terms of Article 6 of the company’s Articles of Association, the directors of the company be and they are hereby empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of the said Act) for cash pursuant to the authority conferred upon them by Section 551 of the said Act by resolution 9 above as if Section 561(I) of the said Act did not apply to any such allotment provided that this power shall be limited:

- (a) to the allotment of equity securities in connection with an offer or issue to or in favour of ordinary shareholders on the register on a date fixed by the directors where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on that date but the directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any regulatory body or stock exchange; and
- (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £31,573.07 (representing approximately 5% of the current issued ordinary share capital);

and shall expire on the earlier of the date which is fifteen months after the date of the passing of this resolution and the date of the next annual general meeting of the company after the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the powers conferred hereby had not expired and so that all previous authorities of the directors pursuant to Section 95 of the said Act be and are hereby revoked.”

Notice of meeting

continued

11. As a special resolution:

“That the company be and is hereby generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 to make market purchase (as defined in Section 693(4) of the said Act) of its own ordinary shares of 1p each (“Ordinary Shares”) in such a manner and on such terms as the directors may from time to time determine provided that:

- (a) the authority hereby conferred shall expire on the earlier of the date which is fifteen months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the company after the passing of this resolution unless renewed or extended prior to or at such meeting, except that the company may before the expiry of such authority make any contract of purchase of Ordinary Shares which will or might be completed wholly or partly after such expiry and to purchase Ordinary Shares in pursuance of such contract as if the authority conferred hereby had not expired;
- (b) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 3,157,307 Ordinary Shares (representing 5% of the company’s issued share capital as at 25 June 2019); and
- (c) the maximum price which may be paid for each Ordinary Share pursuant to this authority hereby conferred is an amount equal to 105% of the average of the middle market quotations for Ordinary Shares (derived from The London Stock Exchange Daily Official List) for the five business days prior to the date of purchase and the minimum price of 1p.”

By order of the board

Mr Paul Forster
Group Finance & Commercial Director

1210 Lincoln Road
Peterborough PE4 6ND
22 July 2019

Notice of meeting

continued

Notes

1. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with the company's registrar so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.
2. The return of a completed Proxy Form will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
3. Nominated persons (a) Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. (b) The statement of the rights of shareholders in relation to the appointment of proxies in paragraph (1) above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by the shareholders of the Company.
4. Only shareholders whose names appear on the register of members of the Company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.
5. The statement of the rights of shareholders in relation to the appointment of proxies in note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.

Notice of meeting

continued

6. As at 25 June 2019, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 63,146,143 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 25 June 2019 are 63,146,143.
7. In Accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members at close of business on the day which is two days before the day of the meeting or, if the meeting is adjourned, shareholders entered on the Company's register of members at close of business on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.
8. Any member attending the meeting has the right to ask questions. The Company has to answer any questions raised by members at the meeting which relate to the business being dealt with at the meeting unless:
 - to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question, or;
 - it is undesirable in the interests of the Company or the good order of the meeting to answer the question.
9. Copies of the director's service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.
10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares.
11. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
12. To be valid any proxy form or other instrument appointing a proxy must be:
 - completed and signed;
 - sent or delivered to Link Asset Services PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; and
 - received by Link Asset Services no later than 12:00 noon on 12th August 2019.

A copy of this notice, and other information required by S311A of the Companies Act 2006, can be found at www.creightonsplc.com

Contact and useful information

Directors

| | |
|---------------------|--|
| William O McIlroy | <i>Executive Chairman and Chief Executive</i> |
| Bernard JM Johnson | <i>Managing Director</i> |
| William T Glencross | <i>Non-executive Director</i> |
| Mary T Carney | <i>Senior Independent Non-executive Director</i> |
| Nicholas DJ O'Shea | <i>Non-executive Director</i> |
| Philippa Clark | <i>Global Sales & Marketing Director</i> |
| Martin Stevens | <i>Deputy Managing Director</i> |
| Paul Forster | <i>Group Finance & Commercial Director</i> |

Company Secretary

Nicholas DJ O'Shea, BSc, ACMA, CGMA

Registered Office and Number

1210 Lincoln Road
Peterborough
PE4 6ND
Registered in England & Wales No 1227964

Registrars

Shareholder information

Link Asset Services is our registrar and they offer many services to make managing your shareholding easier and more efficient.

Signal shares

Signal shares is a secure online site where you can manage your shareholding quickly and easily. You can:

- View your holding and get an indicative valuation
- Change your address
- Arrange to have dividends paid into your bank account
- View your dividend payment history
- Buy and sell shares and access a wealth of stock market news and information
- Download a stock transfer form

Contact and useful information

continued

Registrars

continued

To register for Signal shares just visit www.signalshares.com. All you need is your investor code, which can be found on your share certificate.

Customer Support Centre

Alternatively, you can contact Link's Customer Support Centre which is available to answer any queries you have in relation to your shareholding:

By phone – UK – 0871 664 0300 (UK calls cost 12p per minute plus network extras).
From overseas – +44 371 664 0300.

Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays.

By email – shareholderenquiries@linkgroup.co.uk

By post – Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

