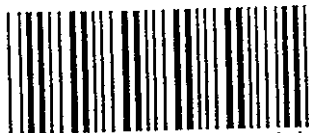


SEPARATOR SHEET

1227964



\*ZZZZ\*

CREIGHTON'S NATURALLY PLC



KLO \*K69T9RLD\* 575  
COMPANIES HOUSE 18/12/96

1227964

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services Act 1986.**

If you have sold or transferred all or part of your holding of Existing Ordinary Shares in Creighton's Naturally plc prior to the ex-entitlement date you should complete Box 8 on the Application Form and deliver the Application Form together with this document and the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this document, which comprises a prospectus relating to Creighton's Naturally plc prepared in accordance with the Listing Rules made under Part IV of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act.

Application has been made to the London Stock Exchange for the New Ordinary Shares proposed to be issued pursuant to the Placing and Open Offer to be admitted to the Official List. It is expected that admission will become effective and that dealings in the New Ordinary Shares will commence on 16th January 1997.

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# **CREIGHTON'S NATURALLY PLC**

*(Registered in England – No. 1227964)*

## **Placing and Open Offer of 15,217,391 New Ordinary Shares at 23 pence per share by**

## **Singer & Friedlander Limited**

**Interim results for the six months ended 30th September 1996**

**Cancellation of Share Premium Account**

**Adoption of New Articles of Association**

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Singer & Friedlander Limited, which is a member of and regulated by the Securities and Futures Authority Limited, is acting as financial adviser and as sponsor to Creighton's Naturally plc and no-one else in connection with the Placing and Open Offer and the proposed admission to the Official List of the New Ordinary Shares. Singer & Friedlander Limited will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to the customers of Singer & Friedlander Limited nor for providing advice in relation to the transactions and arrangements described in this document.

**Qualifying Shareholders who wish to apply for New Ordinary Shares under the Open Offer should complete the enclosed Application Form in accordance with the instructions printed thereon and return it, together with the appropriate remittance, by hand or by post in the enclosed reply-paid envelope to Northern Registrars Ltd., Northern House, Penistone Road, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA so as to arrive no later than 3 p.m. on 13th January 1997. The procedure for application and payment is set out on pages 11 and 12 of this document and in the accompanying Application Form. Applications under the Open Offer may only be made on the Application Form which is enclosed and which is personal to the shareholder(s) named therein and may not be assigned or transferred, except to satisfy bona fide market claims.**

**Notice convening an Extraordinary General Meeting of Creighton's Naturally plc, to be held at the offices of Dibb Lupton Alsop, 125 London Wall, London EC2Y 5AE on 14th January 1997 is set out at the end of this document. To be valid, Forms of Proxy for use at this Meeting must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars not later than 10.00 a.m. on 12th January 1997.**

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## TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Open Offer	9th December 1996
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. 9th January 1997
<b>Latest time and date for receipt of Forms of Proxy</b>	<b>10.00 a.m. 12th January 1997</b>
<b>Latest time and date for receipt of Application Forms and payment in full</b>	<b>3.00 p.m. 13th January 1997</b>
Extraordinary General Meeting	10.00 a.m. 14th January 1997
Dealings expected to commence in the New Ordinary Shares	16th January 1997
Expected date of despatch of definitive share certificates	23rd January 1997

## DEFINITIONS

*In this document, the following expressions shall (unless the context requires otherwise) have the following meanings:*

"Act"	the Companies Act 1985 (as amended)
"Admission"	the admission of the New Ordinary Shares to the Official List
"Application Form"	the application form relating to the Open Offer
"Articles"	the existing Articles of Association of the Company adopted by special resolution passed on 6th May 1986
"Creighton's Naturally" or "the Company"	Creighton's Naturally plc
"Directors" or "Board"	the directors of the Company listed on page 4 of this document
"EGM"	the Extraordinary General Meeting of the Company convened for 14th January 1997 by the notice at the end of this document
"Existing Ordinary Shares"	existing issued ordinary shares of 20p each in the share capital of the Company
"Form of Proxy"	the form of proxy accompanying this document for use at the EGM
"the Group"	the Company and its subsidiaries
"Listing Rules"	the Listing Rules of the London Stock Exchange
"London Stock Exchange"	London Stock Exchange Limited
"New Ordinary Shares"	the 15,217,391 ordinary shares of 20p each to be issued pursuant to the Placing and Open Offer
"Official List"	the Official List of the London Stock Exchange
"Open Offer"	the invitation by Singer & Friedlander on behalf of the Company to Qualifying Shareholders to subscribe for New Ordinary Shares on the terms and conditions set out in Part II of this document and the Application Form
"Placing"	the conditional placing by Singer & Friedlander as agent for the Company of the New Ordinary Shares pursuant to the Placing Agreement, of which 6,988,698 New Ordinary Shares are subject to recall in respect of valid applications under the Open Offer, as described in this document
"Placing Agreement"	the conditional agreement dated 18th December 1996 between Creighton's Naturally, Singer & Friedlander and the Directors, details of which are contained in paragraph 9(a) of Part VI of this document
"Placing Price"	23p per New Ordinary Share
"Proposals"	the Placing and Open Offer, the cancellation of share premium account and the adoption of the Proposed Articles
"Proposed Articles"	the proposed new Articles of Association of the Company in the form of the draft referred to in paragraph 19(b) of Part VI
"Qualifying Shareholders"	holders of Existing Ordinary Shares on the register of members of the Company at the close of business on the Record Date, excluding certain overseas shareholders who are not entitled to participate in the Open Offer
"Record Date"	9th December 1996
"Resolutions"	the resolutions to be proposed at the EGM
"Share Option Scheme"	the executive share option scheme authorised by the Company on 6th May 1986
"Singer & Friedlander"	Singer & Friedlander Limited

## PART I

### LETTER FROM THE CHAIRMAN OF CREIGHTON'S NATURALLY

## CREIGHTON'S NATURALLY PLC

(Registered in England – No 1227964)

#### *Directors:*

J. Carr, *Executive Chairman*  
A. M. Nicholls, *Technical Director*  
M. P. Sutton, F.C.A., *Non-Executive Director*

#### *Registered Office:*

Unit 1  
Water Lane Industrial Estate  
Storrington  
Pulborough  
West Sussex  
RH20 3DP

18th December 1996.

*To holders of Existing Ordinary Shares and, for information only, to the participants in the Share Option Scheme.*

Dear Shareholder,

#### **Introduction**

Your Board today announced the interim results of the Group for the six months ended 30th September 1996 together with proposals designed to strengthen the financial position of Creighton's Naturally and to secure its future. I am writing to you with details of the Proposals which, I believe, are critical to the future of your Company. The Proposals are, in summary, as follows:

- a placing of 15,217,391 New Ordinary Shares at the Placing Price to raise approximately £3.1 million (after expenses) of which 6,988,698 New Ordinary Shares will be placed subject to recall to satisfy valid applications from Qualifying Shareholders under the terms of the Open Offer described below. The proceeds of the Placing and Open Offer will be used primarily to reduce the Group's borrowings and to provide additional working capital for the Group;
- to cancel the amount standing to the credit of the Company's share premium account; and
- to adopt new Articles of Association of the Company

The Proposals are subject, *inter alia*, to shareholder approval. The purpose of this document is to set out the details of, and reasons for, the Proposals and to recommend that you vote in favour of the Resolutions at the forthcoming EGM of the Company to be held at the offices of Dibb Lupton Alsop, 125 London Wall, London EC2Y 5AE on 14th January 1997 whether or not you intend to take up your entitlement under the Open Offer. A notice convening the EGM is set out at the end of this document.

The unaudited interim results for the six months ended 30th September 1996 are set out in Part III of this document.

#### **Background to and reasons for the Placing and Open Offer**

In July 1996 the Group's results for the year to 31st March 1996 were announced. These showed turnover increased to £10,069,000 (1995: £8,530,000) but with profit before tax having fallen to £470,000 (1995: £1,002,000).

On 25th September 1996 it was announced that I had been appointed as Executive Chairman with immediate effect. The announcement also warned that profits for the half year ended 30th September 1996 would be less than for the equivalent period of 1995.

In the light of the unsatisfactory profitability of the Group, it was considered vital to review the strength of the senior management of the Group and to take remedial action as quickly as possible. On 11th October 1996 Gerald Clements was dismissed as Managing Director of the Company.

Following my appointment as Chairman, I initiated a review of the business, operations, production and financial controls of the Group. It became clear that certain aspects of the Group's operations had not been managed adequately and that the business of Crestol Limited had not performed as anticipated at the time of its acquisition by Creighton's Naturally. On 15th November it was announced that the restructuring measures would result in the Group reporting an overall loss before tax for the six months ended 30th September 1996.

Following the acquisition of Crestol Limited in July 1995, the Crestol production facility was closed and production moved to our Storrington factory. This move occurred towards the end of 1995 at a time when the Storrington facility was producing at a level which did not leave sufficient spare capacity for the Crestol production. Consequently, pressure was placed on production scheduling at Storrington and this led to some delays in meeting customer orders.

Stock and production control has been fully reviewed and it has been found that this had, in the past, been unsatisfactory. A lack of proper production scheduling and control had resulted in an excessive level of stock holding. Procedures have since been put into place designed to prevent a repeat of this.

Following the urgent measures taken to address the immediate operational problems faced by the Group, it became clear that the Group required additional equity funding in order to reduce borrowings, provide additional working capital and to provide a sound equity base from which to expand the Group.

Reduction of Group debt from the current levels has been identified as an immediate priority. In light of the need to strengthen the financial position of the Group and reduce the pressure brought about by current levels of debt, the Directors believe it is appropriate to raise additional equity capital to reduce debt, strengthen the Group's balance sheet and place the Group in a better position to implement strategic initiatives.

It is intended that approximately £0.9 million of the monies raised pursuant to the Placing and Open Offer will be applied in the development of the existing business by investing in improvements to the operational management, facilities, plant and machinery and marketing strategy. The Directors believe that the Group has not, in the past, made sufficient investment in its marketing strategy. Following the implementation of the Proposals the Company intends to redesign its own branded products and develop further its own label business.

Although the Group's bankers, Barclays Bank PLC, have continued to support the Group throughout its recent difficulties, the continuing availability of the overdraft and term loan facilities is conditional upon Creighton's Naturally raising additional equity by 31st January 1997. In light of these financial difficulties the Placing and Open Offer has been priced at a 42.5 per cent. discount to the closing mid-market price on 17th December 1996 of 40p to ensure the successful refinancing of the Company.

**Clearly raising additional equity by 31st January 1997 by means of the Placing and Open Offer is crucial to the ability of Creighton's Naturally to continue as a going concern. In the event of shareholders not approving the Proposals at the EGM, the future of the Group would be placed in severe jeopardy.**

### **Information on Creighton's Naturally**

The principal activity of the Group is the creation and manufacture of toiletries, soaps and fragrances. In addition, the Company has a 50 per cent. interest in Fine Fragrances and Cosmetics Limited, a wholesale distributor and manufacturer of toiletries, cosmetics and perfumes. The Group supplies products to a range of substantial retailers in the United Kingdom as well as to overseas markets.

### **Current trading and prospects**

Set out in Part III are the unaudited interim results for the six months ended 30th September 1996. These reflect the measures taken to address the operational problems of the Company. The Group has reported

a loss before tax of £1.4 million (1995: £0.5 million profit). This loss is stated after total exceptional charges of approximately £1.5 million of which approximately £0.9 million reflects the adoption of more prudent bases of accounting in the setting of stock provisions and the attribution of overheads to stock, approximately £0.3 million reflects the charge to profits relating to a revaluation of the Storrington property and approximately £0.3 million relates to other restructuring costs.

Whilst turnover remained broadly stable at £5.0 million (1995: £5.2 million), gross profit before exceptional items fell to approximately £0.6 million (1995: £1.1 million) principally reflecting higher than expected production costs.

The pre-Christmas months of October and November are traditionally high volume months for Creighton's Naturally. In the period since 30th September 1996 the trading experienced by the Group has been broadly in line with the Board's expectations. During this period principal customers have indicated that they wish to continue their trading relationship with Creighton's Naturally. The Board is hopeful that the action taken to strengthen the business will produce satisfactory results in the year ended 31st March 1998.

The immediate prospects for Creighton's Naturally are dependent upon the successful completion of the Placing and Open Offer and upon the operational measures which I have recently initiated to strengthen the Group's business and the management and financial controls operating within that business.

In the medium term, the Board believes that the prospects for the Group will be driven by the identification and completion of acquisition opportunities.

Where appropriate the Board will consider acquisitions which are complementary to the existing business of Creighton's Naturally. However the Board will also consider acquisitions of businesses operating in sectors unrelated to that of the Group's existing activities. It is intended that such acquisitions, which may be substantial in relation to the size of the existing business, will have strong management with ongoing commitment and be capable of delivering sustained growth in earnings per share.

### **Management**

On 24th September 1996 Richard Collard resigned as Chairman and as a director and I was appointed as Executive Chairman with immediate effect. As a direct consequence of my review of the Company and its operations, Gerald Clements was dismissed as Managing Director on 11th October. Robert Bailey resigned from the Board with effect from 18th December 1996 in order to concentrate upon his operational duties as head of purchasing. The Board wishes to thank Robert for his years of service as a director and is confident that he will continue to play a valuable role within the business in future years.

The Board therefore now consists of myself (Chairman), Angela M. Nicholls (Technical Director), and Michael P. Sutton (Non-executive Director).

I set out below the curriculum vitae of each of the Directors.

I am 51 and have been involved since 1977 as chief executive and/or chairman and investor in a number of both private and public companies including Spencer Coatings Limited, a manufacturer of industrial and decorative paints, and Cowan de Groot PLC (now known as Glenchewton PLC), a distributor of toys and housewares.

Angela Nicholls, aged 57, is a qualified pharmacist and joined Creighton's Naturally in December 1983 as research and development chemist. She was appointed to the Board in March 1986. As Technical Director she has been responsible for all technical matters relating to products and ensuring customers receive satisfactory service.

Michael Sutton, aged 50, was appointed to the Board in November 1994. He qualified as a chartered accountant in 1970 and joined Singer & Friedlander in 1971. He was appointed to the board of Singer & Friedlander in 1983 and since 1987 he has been on the board of Singer & Friedlander Holdings Limited.

Following the significant changes to the Board since September 1996, Creighton's Naturally recognises the need to strengthen further the Board. The Company is currently actively seeking to fill the role of

operations director. Following the implementation of the Proposals, it is the intention of the Board to recruit a finance director. In addition, the Company intends to recruit additional sales staff and management at operational level as part of the ongoing process of strengthening the business of Creighton's Naturally.

### **Corporate governance**

The Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (the "Cadbury Report") came into effect in 1993. Your Board is committed to the principles of openness, integrity and accountability set out in the Cadbury Report. However, it is the Board's opinion that certain parts of the Cadbury Report are inappropriate for the Company at its present stage of development.

The Company currently has only one non-executive director but it is the belief of the Board that in the medium term the envisaged growth of the Group will make appointment of another non-executive director appropriate.

In accordance with the Cadbury Report the remuneration of the directors is set by the remuneration committee which at present consists of Michael Sutton and myself. Following the implementation of the Proposals, it is the intention of the Board to set up an audit committee in due course.

### **Details of the Placing and Open Offer**

Creighton's Naturally proposes to raise approximately £3.1 million, after expenses, by the issue of 15,217,391 New Ordinary Shares at the Placing Price by way of the Placing and Open Offer. The proceeds of the Placing and Open Offer will be used primarily to reduce Group borrowings and provide additional working capital for the Group.

Singer & Friedlander has conditionally agreed, as agent for Creighton's Naturally, to procure subscribers or, failing which, itself to subscribe as principal at 23p per share for the 15,217,391 New Ordinary Shares which are to be issued in connection with the Placing and Open Offer.

Of the total of 15,217,391 New Ordinary Shares being issued in connection with the Placing and Open Offer, 8,228,693 New Ordinary Shares have been placed firm with institutional and other investors. The balance of 6,988,698 New Ordinary Shares have been placed subject to clawback to satisfy valid applications from Qualifying Shareholders under the Open Offer.

Those Qualifying Shareholders who wish to subscribe for New Ordinary Shares are being given the opportunity to do so through the Open Offer. Accordingly, Qualifying Shareholders are invited to apply for New Ordinary Shares up to their pro rata entitlement on the following basis:

#### **3 New Ordinary Shares for every 2 Existing Ordinary Shares**

held by them on the Record Date.

Fractional entitlements to apply for New Ordinary Shares will be rounded down.

The New Ordinary Shares to be issued will be allotted fully paid up and will rank *pari passu* in all respects with the Existing Ordinary Shares and will be issued free from all liens, charges and encumbrances.

Application has been made for admission of the New Ordinary Shares to the Official List and dealings in the New Ordinary Shares are expected to commence on 16th January 1997.

The Placing and Open Offer are subject to certain conditions. If these conditions are not fulfilled or waived on or before 16th January 1997 or such later date not being later than 31st January 1997 as Singer & Friedlander and the Company may agree, application monies will be returned to applicants without interest.

An Application Form containing details of your entitlement to New Ordinary Shares under the Open Offer is enclosed. Further details of the Placing and Open Offer and the procedure for application and payment are set out in the letter from Singer & Friedlander in Part II of this document.



## **Taxation**

The attention of shareholders is drawn to the paragraph headed "United Kingdom taxation" in Part II of this document which contains information about United Kingdom taxation with regard to the Placing and Open Offer.

## **Cancellation of share premium account**

As at 30th September 1996 the Company had a deficit of £459,844 on its Profit and Loss Account. So long as this deficit remains on the Profit and Loss Account the Company will be unable to pay dividends to shareholders as the Company will not have profits available for distribution within the meaning of the Act. Any profits made by the Company will first be required to be set against the deficit on the Company's Profit and Loss Account. The Directors have considered this issue and believe that it would be in the best interests of the Company and its shareholders to write off the deficit on the Company's Profit and Loss Account by cancelling the amount of £3,297,000 which is standing to the credit of the Company's share premium account. The first £459,844 of this would be used to reduce the deficit on the Company's Profit and Loss Account. The surplus would be credited to a special reserve which would be available to set against any future losses and write off goodwill arising on any acquisitions and, in certain circumstances, may be distributed to shareholders by way of dividends.

The cancellation of the Company's share premium account requires approval by the members of the Company by the passing of a special resolution in a general meeting. Accordingly, the Directors intend to propose Resolution number 3 at the EGM. The cancellation of the share premium account is also subject to confirmation by the High Court of Justice in England and Wales (the "Court") and distribution out of any resulting special reserve may be subject to conditions imposed by the Court.

As soon as practicable after the passing of Resolution number 3 the Company will apply to the Court for an appropriate order.

## **Adoption of new Articles of Association**

The Proposed Articles are in substantially the same form as the Articles. The principal amendments which have been made bring the Articles into line with current practice to ensure that the Company complies with London Stock Exchange requirements and permit the Company's shares to be traded through CREST. A summary of the main differences between the Articles and the Proposed Articles is set out in Part V of this document.

## **CREST**

As explained above one of the reasons for proposing to adopt new Articles of Association is to allow the Company's shares to be settled through CREST.

CREST is a new electronic share settlement system designed by the Bank of England to replace the existing Talisman system operated by the London Stock Exchange. CREST will enable shareholders to elect to hold their shares in paperless form rather than by means of a share certificate and will allow settlement of share transactions to take place electronically. CREST is a voluntary system and any shareholders who want to retain their holdings in the form of share certificates will still be free to do so.

The adoption of the Proposed Articles will enable the Company's ordinary shares to join CREST in due course. The Company's shares will not become transferable by means of the CREST system merely by virtue of the adoption of the Proposed Articles. The permission of the operator of the CREST system, CRESTCo Limited, must also be given before the shares will become so transferable. A conditional application for such permission was submitted by the Company on 13th November 1996.

## **Overseas shareholders**

The attention of shareholders who have registered addresses outside the United Kingdom or who are nationals, citizens or residents of countries other than the United Kingdom is drawn to the paragraph entitled "Overseas shareholders" in Part II of this document.

## **Extraordinary General Meeting**

You will find set out on page 50 a notice convening an Extraordinary General Meeting of the Company to be held at the offices of Dibb Lupton Alsop, 125 London Wall, London EC2Y 5AE on 14th January 1997 at 10.00 a.m. at which the Resolutions will be proposed.

Following the Placing and Open Offer, 1,123,477 New Ordinary Shares in the enlarged share capital of the Company will remain unissued of which 67,500 New Ordinary Shares will be reserved for issue in connection with the exercise of options under the Share Option Scheme. As a result, 1,055,977 New Ordinary Shares, representing approximately 5 per cent. of the enlarged issued share capital, will remain authorised but unissued and unreserved.

## **Action to be taken**

### **(a) *Form of Proxy***

You will find enclosed with this document a Form of Proxy for use at the EGM. Whether or not you intend to be present at the meeting, you are asked to complete and return the Form of Proxy in accordance with the instructions printed thereon so as to be received by Northern Registrars Ltd., Northern House, Penistone Road, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA, as soon as possible but in any event no later than 10.00 a.m. on 12th January 1997. Completion and return of the Form of Proxy will not preclude you from attending and voting at the EGM should you so wish.

### **(b) *Application Form***

Qualifying Shareholders who wish to apply for New Ordinary Shares under the Open Offer should follow the instructions on the Application Form accompanying this document which should be returned, together with their application monies, so as to be received by Northern Registrars Ltd., Northern House, Penistone Road, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA, as soon as possible but in any event no later than 3 p.m. on 13th January 1997.

If you do not wish to apply for any of the New Ordinary Shares you should not complete or return an Application Form. Holders of Existing Ordinary Shares are nevertheless requested to complete and return the Form of Proxy.

## **Directors' intentions**

My self-administered pension scheme, The J. P. Carr and Co. Limited Retirement Benefit Scheme will apply for 108,696 New Ordinary Shares pursuant to the Placing, representing approximately 14.5 per cent. of my entitlement. Angela Nicholls intends to apply for her full entitlement of New Ordinary Shares pursuant to the Open Offer.

## **Additional information**

Your attention is drawn to the additional information set out in Parts II to VI.

## **Recommendation**

Your Board, which has received financial advice from Singer & Friedlander, considers that the Proposals are in the best interests of Creighton's Naturally and its shareholders as a whole. In providing advice to the Board, Singer & Friedlander has placed reliance upon the Directors' assessment of the Group's commercial prospects and funding requirements.

Without implementation of the Placing and Open Offer, the Company's future is uncertain. Accordingly, your Board unanimously recommends that you vote in favour of Resolutions 1 to 3 inclusive, to be proposed at the EGM as they intend to do in respect of their holdings, all of which are beneficial, which amount in aggregate to 506,987 Existing Ordinary Shares representing approximately 10.9 per cent. of the issued share capital of the Company at the date of this document.

Yours faithfully,

**J. Carr**  
*Chairman*

## PART II

### OPEN OFFER LETTER FROM SINGER & FRIEDLANDER

Singer & Friedlander Limited



21 New Street  
Bishopsgate  
London  
EC2M 4HR

18th December 1996

Dear Shareholder

#### Proposed Placing and Open Offer

Your Chairman has explained in his letter set out in Part 1 of this document details of the proposal to raise approximately £3.1 million, net of expenses, by means of the Placing and Open Offer. The proceeds of the Placing and Open Offer will primarily be used to reduce Group borrowings and to provide additional working capital for the Group.

Singer & Friedlander has conditionally agreed, as agent for the Company, to place 8,228,693 New Ordinary Shares of the total of 15,217,391 New Ordinary Shares being issued in connection with the Placing and Open Offer firm with institutional and other investors and to place the balance of 6,988,698 New Ordinary Shares subject to clawback to satisfy valid applications from Qualifying Shareholders under the Open Offer.

All of the New Ordinary Shares to be issued in connection with the Placing and Open Offer have been underwritten by Singer & Friedlander. The Placing is subject to the Placing Agreement becoming unconditional. The stockbrokers to the Placing and Open Offer are Peel Hunt & Company Limited.

#### The Open Offer

Subject to the terms and conditions set out in this letter and in the Application Form, Singer & Friedlander, as agent for Creighton's Naturally, hereby invites applications from Qualifying Shareholders to subscribe for up to 6,988,698 New Ordinary Shares at a price of 23p per New Ordinary Share payable in full in cash on application, free from all commissions and expenses, on a basis *pro rata* to their existing holdings.

**Qualifying Shareholders may apply for any whole number of New Ordinary Shares up to their *pro rata* entitlement on the following basis:**

3 New Ordinary Shares for every 2 Existing Ordinary Shares

**held by them on the Record Date.**

Fractional entitlements to apply for New Ordinary Shares will be rounded down.

You may apply to subscribe for less than your *pro rata* entitlement to New Ordinary Shares if you so wish. If you apply for New Ordinary Shares in excess of your *pro rata* entitlement you will be deemed to have applied only for your *pro rata* entitlement.

**Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that New Ordinary Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply for them under the Open Offer. The Application Form is not a document of title and cannot be traded.**

The Placing and Open Offer are subject, *inter alia*, to satisfaction of all of the following conditions by not later than 16th January 1997 or such later date, not being later than 31st January 1997, as Singer & Friedlander and the Company may agree:

- (i) the passing (without material amendment) of the Resolutions;
- (ii) the Placing Agreement having become unconditional and not having been terminated; and
- (iii) Admission becoming effective.

Details of the Placing Agreement are set out in paragraph 9(a) of Part VI.

The New Ordinary Shares to be issued pursuant to the Placing and Open Offer will, when allotted, be fully paid, and form one class ranking *pari passu* in all respects with the Existing Ordinary Shares. They will be issued free from all liens, charges and encumbrances.

### **Procedure for application**

The enclosed Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date and also shows the maximum number of New Ordinary Shares for which you may apply.

**If you wish to take up your entitlement under the Open Offer, in whole or in part, your Application Form must be completed and returned in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, by hand or by post to Northern Registrars Ltd., Northern House, Penistone Road, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA, so as to arrive as soon as possible but in any case not later than 3 p.m. on 13th January 1997. A reply-paid envelope is provided. Please allow at least four working days for delivery.**

If you do not wish to apply for any of the New Ordinary Shares you should not complete or return an Application Form. Holders of Existing Ordinary Shares are nevertheless requested to complete and return the Form of Proxy.

Applications to subscribe for New Ordinary Shares may only be made on the enclosed Application Form which is personal to the shareholder named thereon and may not be assigned or transferred other than to satisfy *bona fide* market claims pursuant to the Rules of the London Stock Exchange. If you have recently sold all or part of your holding of Existing Ordinary Shares, you should consult your stockbroker, bank or other agent through whom the sale was effected as soon as possible. The invitation to subscribe for New Ordinary Shares under the Open Offer may represent a benefit which can be claimed from you by the purchaser under the Rules of the London Stock Exchange. In order to facilitate any such claim you are asked to follow the instructions printed on the Application Form, which is not a document of title and which cannot be traded.

Your right to subscribe for New Ordinary Shares as set out in this letter shall lapse and no application to subscribe for New Ordinary Shares shall be considered unless the Application Form is submitted in accordance with the provisions of this letter and the provisions of the Application Form itself and is received by Northern Registrars Ltd., Northern House, Penistone Road, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA, as aforesaid by **no later than 3 p.m. on 13th January 1997.**

### **Procedure for payment**

Cheques or bankers' drafts should be made payable to Northern Registrars Ltd., a/c Creighton's Naturally plc and crossed "Account Payee" and must be drawn in sterling on a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS and Town Clearing Company Limited or a member of the Committee of Scottish or Belfast Clearing Houses or which has arranged for its cheques or bankers' drafts to be presented for payment through the clearing facilities provided for the members of either of those companies or committees and must bear the appropriate sort code number in the top right hand corner and must be for the full amount payable on application. The Company reserves the right to reject applications unless these requirements are fulfilled.

The right is reserved to present cheques and bankers' drafts on receipt. If cheques or bankers' drafts are presented for payment before the closing date of the Open Offer, the application monies will be kept in a separate bank account and any interest earned will be retained for the benefit of the Company. The Directors reserve the right to seek special clearance of cheques to enable the Company to obtain value for remittances at the earliest opportunity. **Qualifying Shareholders should note that application will be irrevocable and that it is a term of the Open Offer that applications warrant that cheques and bankers' drafts shall be honoured on first presentation. The Company may elect to treat as invalid any applications in respect of which a remittance is not so honoured.**

### **Money laundering provisions**

The verification of identity requirements of the Money Laundering Regulations 1993 will apply to the Open Offer and the verification of the identity of the person by whom or on whose behalf an Application Form is lodged may be required. Failure to provide the necessary evidence of identity may result in the application being treated as invalid or in delays in allotting New Ordinary Shares to an applicant. In order to avoid this, if the value (at the Placing Price) of the shares applied for exceeds £11,000 (or in the case of applications which are linked where the aggregate exceeds that amount), payment should be made by means of a cheque drawn by the person named on the Application Form (or one of such persons if they are joint holders). If this is not practicable and you use a cheque drawn by a third party, a building society cheque or banker's draft, you should:

- (a) write the full name and address of the person (or one of the joint holders) on the Application Form on the back of the cheque, building society cheque or banker's draft and record the date of birth of that person;
- (b) if a building society cheque or banker's draft is used, ensure that the building society or bank endorses on the cheque or the draft the name and account number of the person whose building society or bank account is being debited; and
- (c) if you are making application as agent for one or more persons, indicate on the Application Form whether you are UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution you should contact Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0LA (tel: 01484 606664) to seek guidance.

If you deliver your Application Form personally by hand, you should ensure that you have with you evidence of identity bearing your photograph (e.g. your passport).

Applications submitted by agents should be accompanied by a letter confirming their regulatory body and membership number and that the necessary identification procedures as required by the Money Laundering Regulations 1993 have been fulfilled. Verification of identity details must be retained for at least 5 years and such details must be made available to Northern Registrars Limited or the appropriate authorities upon demand.

Northern Registrars Limited is entitled in its absolute discretion to determine whether verification of identity is required in respect of any acceptor and whether such requirements have been satisfied and neither Northern Registrars Limited nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion or as a result of rejection or scaling down of any application.

In any event, if it appears to Northern Registrars Limited that an applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the applicant appears to be acting may be required. In relation to any application in respect of which necessary verification of identity of the applicant or the person on whose behalf the applicant appears to be acting has not been received on or before the latest date for receipt of Application Forms and payment (or such later date as the Company may in its absolute discretion determine), the Company may, in its absolute discretion:

- (a) elect to treat the relevant application as invalid; and/or
- (b) delay the allotment of the New Ordinary Shares to the applicant until the necessary verification has been provided and neither Singer & Friedlander nor the Company will be responsible or have any liability for loss or damage (whether actual or alleged) arising from such action.

## Overseas shareholders

- (a) No person receiving a copy of this document and/or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use the Application Form unless, in the relevant territory, such an invitation or offer can lawfully be made to him or the Application Form could lawfully be used without contravention of any registration or other legal or regulatory requirements. Receipt of this document and/or an Application Form does not constitute an offer or invitation to overseas shareholders in the territories in which it would be unlawful to make an offer or invitation and in such circumstances this document and/or any Application Form are sent for information only. It is the responsibility of any person receiving a copy of this document and/or an Application Form outside the UK and wishing to make an application for New Ordinary Shares to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including the obtaining of governmental or other consents which may be required and the compliance with other necessary formalities and payment of any issue, transfer or other taxes in any such territory.
- (b) Neither the Application Form nor the New Ordinary Shares have been or will be registered under the United States Securities Act 1933, as amended ("the US Securities Act"), or qualified under the relevant securities laws of Canada or any province or territory thereof. Therefore, subject to certain exceptions, the New Ordinary Shares may not be offered or sold to any US Person (within the meaning of Regulation S of the US Securities Act) or for the account or benefit of any person who is a citizen or resident in Canada, a corporation, partnership or other entity created or organised in or under any laws of Canada or an estate or trust the income of which is subject to Canadian income taxation, regardless of its source. Except as described in the next paragraph, the Application Form will not be distributed in North America. As used herein and in the Application Form, "United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia and "North America" means the United States and Canada.

Certain institutions in the United States and Canada may participate in the Open Offer if they are able to satisfy the Company, in its sole discretion, prior to 3.00 p.m. on 13th January 1997 that they can properly accept the invitation comprised in the Open Offer without observance by the Company of any requirement which it (in its absolute discretion) regards as unduly burdensome.

- (c) Neither this document nor the Application Form nor the New Ordinary Shares will be lodged or registered with the Australian Securities Commission under Australia's Corporations Law and the New Ordinary Shares are not being offered for subscription or sale and may not be offered, sold or delivered in or into Australia or for the account or benefit of any person or corporation in Australia. No Application Form will be sent to any person or corporation in Australia, including any shareholder with a registered address in Australia. Payment under an Application Form will constitute a representation or warranty that the person entitled to the same has not received, sent or forwarded the Application Form in or into Australia or to any person or corporation in Australia, and is not subscribing for any of the New Ordinary Shares for the account or benefit of any person or corporation in Australia or with a view to their offer, sale or delivery directly or indirectly in or into Australia or to or for the account of any person or corporation in Australia.
- (d) Shareholders resident in South Africa may require the approval of the South African Exchange Control Authorities if they wish to take up their entitlements under the Open Offer.

## United Kingdom taxation

### (a) Capital Gains Tax

It is understood that, on the basis of current law and Inland Revenue practice, the Inland Revenue will treat the issue of New Ordinary Shares by the Company to a Qualifying Shareholder up to and including his or her *pro rata* entitlement as a reorganisation of the Company's share capital for the purposes of United Kingdom taxation of capital gains. Accordingly, New Ordinary Shares issued pursuant to the Open Offer to a Qualifying Shareholder up to and including a Qualifying Shareholder's *pro rata* entitlement should be treated as the same asset as an existing holding and as if they had been acquired at the same time as the existing holding (other than for indexation purposes). The subscription monies for such New Ordinary Shares which a Qualifying Shareholder takes up will be added to the acquisition

cost of his or her holding of Existing Ordinary Shares. Any New Ordinary Shares issued pursuant to the Open Offer in addition to a Qualifying Shareholder's *pro rata* entitlement will be treated as a separate acquisition.

If a Qualifying Shareholder subsequently disposes of all or any of the New Ordinary Shares he acquired, he may, depending on his circumstances, incur a liability to United Kingdom taxation of capital gains.

Qualifying Shareholders will normally be subject to United Kingdom taxation of capital gains unless such holders, if they are individuals, are not resident or ordinarily resident in the United Kingdom and do not carry on a trade, profession or vocation through a branch or agency in the United Kingdom where the New Ordinary Shares in respect of which the gain arises are used or held for the purposes of that branch or agency.

*(b) Stamp Duty and Stamp Duty Reserve Tax*

The subscription for the New Ordinary Shares under the Open Offer will be free of stamp duty and stamp duty reserve tax.

*(c) Taxation of Dividends*

Under current United Kingdom legislation, no tax will be withheld from any dividend payable by the Company. However, when paying a dividend, the Company will be required to account to the Inland Revenue for advance corporation tax ("ACT") at a current rate of one-quarter of the cash dividend paid. A United Kingdom resident individual shareholder will be entitled to a tax credit in respect of any dividend paid to him of an amount currently equal to one quarter of the dividend paid.

The amount of the dividend received by an individual, together with the associated tax credit, form part of the individual's total income for United Kingdom taxation purposes. The tax credit may be set against the individual's total tax liability and basic rate tax payers will have no further liability to tax on the dividend. Individual shareholders liable to the higher rate of income tax currently at 40 per cent. will pay a further 20 per cent. on the total of the dividend and the tax credit. To the extent that his total credits exceed the individual's total liability to income tax, the excess may be reclaimed by him from the United Kingdom Inland Revenue.

A United Kingdom resident corporate shareholder is not chargeable to corporation tax on any dividend received from a company. United Kingdom resident shareholders who are exempt from tax on investment income are in general entitled to repayment by the United Kingdom Inland Revenue of the tax credit in respect of the dividends received by them.

A non-United Kingdom resident shareholder is not generally entitled to the benefit of a tax credit in respect of any dividend received. However, no assessment will be made on such a person in respect of lower rate income tax currently equal to 20 per cent. or basic rate income tax and a non-resident individual's liability (if any) to income tax at the higher rate will be limited to the excess of higher rate over the lower rate liability.

However, non-United Kingdom resident shareholders may be entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of such dividends pursuant to the provisions of a double tax convention which may exist between the country of residence of the recipient and the United Kingdom. Shareholders who are not resident in the United Kingdom should consult their own tax advisors on the possible applicability of such provisions, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which they are subject to taxation.

**The above statements are intended as a general guide to the current law and practice in the United Kingdom. They assume that the Qualifying Shareholder is resident in the United Kingdom for United Kingdom taxation purposes and is not a share dealer or charity or other person with special tax status. They are also based on United Kingdom legislation currently in force and currently understood Inland Revenue practice. If you are in any doubt as to your tax position, you should consult your independent professional adviser immediately.**

**Settlement and dealings**

Application has been made to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List. Subject to the satisfaction of the conditions in the Placing Agreement, it is expected that dealings will commence in the New Ordinary Shares on 16th January 1997. Definitive share certificates in respect of New Ordinary Shares are expected to be sent by first class post to Qualifying Shareholders, who have made valid applications, not later than 23rd January 1997. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the register.

In the event that any of the conditions to the Placing Agreement are not satisfied by 16th January 1997, or such later date, not being later than 31st January 1997, as Singer & Friedlander and the Company may agree, the Placing and Open Offer will not proceed and any application monies will be returned.

All documents or remittances sent by or to a Qualifying Shareholder, or as he or she may otherwise direct, will be sent through the post at such person's risk.

Any instructions with regard to payments or notices which have been recorded by the Company or its registrars in respect of Existing Ordinary Shares held by a Qualifying Shareholder will apply to any New Ordinary Shares subscribed by such holders under the Open Offer.

Yours faithfully  
for and on behalf of  
Singer & Friedlander Limited

**I. R. Dighé**  
*Director*



## **PART III**

### **UNAUDITED INTERIM RESULTS FOR THE SIX MONTH PERIOD ENDED 30th SEPTEMBER 1996**

The following is the full text of the interim statement for the six month period ended 30th September 1996.

#### **"1996 Interim Results**

The six month period ended 30th September 1996 has seen substantial change at Creighton's Naturally. On 25th September 1996 it was announced that I had been appointed as Executive Chairman with immediate effect. Following my appointment as Chairman, I initiated a review of the business, operations, production and financial controls of the Group. On 15th November 1996 it was announced that, as a result of the restructuring which I had undertaken, the Company would report an overall loss before tax for the six months ended 30th September 1996.

The reported loss before tax of £1.4 million (1995: profit £0.5 million) reflects the measures taken to address the problems identified by my review. This loss is stated after total exceptional charges of approximately £1.5 million of which approximately £0.9 million reflects the adoption of more prudent bases of accounting in the setting of stock provisions and the attribution of overheads to stock, approximately £0.3 million reflects the charge to profits relating to a revaluation of the Storrington property and approximately £0.3 million relates to other restructuring costs.

Whilst turnover remained broadly stable at £5.0 million (1995: £5.2 million), gross profit before exceptional items fell to approximately £0.6 million (1995: £1.1 million) principally reflecting higher than expected production costs.

#### **Placing and Open Offer**

Following my review of the business and operations of Creighton's Naturally, it became clear that the Group required additional equity funding in order to reduce borrowings and to provide additional working capital and a sound equity base from which to expand the Group.

As a result the Company has today announced proposals which include a placing and open offer of 15,217,391 new ordinary shares at 23p per share to raise £3.1 million net of expenses. The placing and open offer has been fully underwritten by Singer & Friedlander.

Full details of the proposals have today been circulated to shareholders.

#### **Current trading and prospects**

The pre-Christmas months of October and November are traditionally high volume months for Creighton's Naturally. In the period since 30th September 1996 the trading experienced by the Group has been broadly in line with our expectations. During this period principal customers have indicated that they wish to continue their trading relationship with Creighton's Naturally. The Board is hopeful that the action taken to strengthen the business will produce satisfactory results in the year ended 31st March 1998. In the medium term, the Board believes that the prospects for the Group will be principally driven by the identification and completion of acquisition opportunities.

John Carr  
*Chairman*

18th December 1996

**Consolidated Profit and Loss Account**  
*for the six months ended 30th September 1996*

	<i>Note</i>	<i>Six months ended 30th September 1996 £'000</i>	<i>Six months ended 30th September 1995 £'000</i>	<i>Year ended 31st March 1996 £'000</i>
<b>Turnover</b>		5,037	5,199	10,069
Cost of sales		(4,429)	(4,149)	(8,269)
Exceptional cost of sales	2	(857)	—	—
<b>Gross (loss)/profit</b>		(249)	1,050	1,800
Net operating expenses		(683)	(741)	(1,506)
Exceptional operating expenses	3	(596)	—	(90)
<b>Operating (loss)/profit</b>		(1,528)	309	204
Income from an interest in an associated undertaking		252	247	429
Interest (net)		(117)	(49)	(163)
<b>(Loss)/profit on ordinary activities before taxation</b>		(1,393)	507	470
Taxation on (loss)/profit on ordinary activities	4	328	(183)	(224)
<b>(Loss)/profit on ordinary activities after taxation</b>		(1,065)	324	246
Dividends		—	(103)	(151)
<b>Retained (loss)/profit</b>		(1,065)	221	95
<b>Earnings per share</b>	5	(22.9p)	7.0p	5.3p

# Consolidated Balance Sheet

	30th September 1996 £'000	30th September 1995 £'000	31st March 1996 £'000
<b>Fixed assets</b>			
Intangible assets	37	39	38
Tangible assets	3,996	4,963	4,766
Investments	1,332	1,226	1,178
	<u>5,365</u>	<u>6,228</u>	<u>5,982</u>
<b>Current assets</b>			
Stocks	2,192	2,468	2,501
Debtors	2,892	2,839	2,178
	<u>5,084</u>	<u>5,307</u>	<u>4,679</u>
<b>Creditors: amounts falling due within one year</b>	<u>(5,044)</u>	<u>(4,582)</u>	<u>(3,900)</u>
<b>Net current assets</b>	<u>40</u>	<u>725</u>	<u>779</u>
<b>Total assets less current liabilities</b>	5,405	6,953	6,761
<b>Creditors: amounts falling due after more than one year</b>	(1,028)	(1,250)	(1,075)
<b>Provisions for liabilities and charges</b>	<u>(289)</u>	<u>(62)</u>	<u>(114)</u>
<b>Net assets</b>	<u>4,088</u>	<u>5,641</u>	<u>5,572</u>
<b>Capital and reserves</b>			
Called up share capital	932	932	932
Share premium	3,297	3,269	3,297
Revaluation reserve	—	422	419
Other reserves	25	20	25
Profit and loss account	(166)	998	899
<b>Equity shareholders' funds</b>	<u>4,088</u>	<u>5,641</u>	<u>5,572</u>

## **Notes to the Interim Statement**

### **1. Basis of preparation**

The interim financial statements have been prepared on the basis of accounting policies set out in the Group financial statements for the year ended 31st March 1996. The statements do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statements are unaudited but have been reviewed by KPMG Audit Plc and their report is set out below.

The figures for the year ended 31st March 1996 have been extracted from the financial statements filed with the Registrar of Companies on which the Auditors gave an unqualified report.

### **2. Exceptional cost of sales**

The Board has carried out a review of the Company's stock level. In the current circumstances it has been considered appropriate to adopt revised and more prudent bases for stock provisioning and the attribution of overheads to stock which has resulted, in aggregate, in an exceptional charge to cost of sales of £857,000.

### **3. Exceptional operating expenses**

Exceptional operating expenses comprise compensation paid to directors for loss of office of £106,000 and a provision for reorganisation costs of £223,000. In addition, a valuation of the freehold property resulted in a deficit against its carrying value of £686,000 of which £267,000 has been charged to the profit and loss account and the balance charged against the revaluation reserve.

### **4. Taxation**

The charge for tax is an estimate based on the anticipated effective rate of tax for the year to 31st March 1997.

### **5. Earnings per share**

The calculation of earnings per 20p ordinary share is based on the (loss)/profit on ordinary activities after tax and weighted average number of shares in the period of 4,659,000 (March 1996: 4,646,000, September 1995: 4,631,000).

### **6. A copy of this announcement will be sent to shareholders and will be made available to the public.**

**Review report by KPMG Audit Plc to Creighton's Naturally plc**

We have reviewed the interim information for the six months ended 30th September 1996 set out on pages 3 to 5<sup>(1)</sup> which is the responsibility of, and has been approved by, the Directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin, *Review of Interim Financial Information*, issued by the Auditing Practices Board. This review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of Group management responsible for financial and accounting matters. The review was substantially less in scope than an audit performed in accordance with Auditing Standards and accordingly we do not express an audit opinion on the interim financial information.

On the basis of our review:

- in our opinion the interim financial information has been prepared using accounting policies consistent with those adopted by Creighton's Naturally plc in its financial statements for the year ended 31st March 1996; and
- we are not aware of any material modifications that should be made to the interim financial information as presented.

**KPMG Audit Plc**  
*Chartered Accountants*

Crawley

18th December 1996"

Note 1:

These page references refer to the interim statement for the six month period ended 30th September 1996.

## PART IV

### FINANCIAL INFORMATION RELATING TO CREIGHTON'S NATURALLY

The financial information relating to the Group set out in this document does not constitute statutory accounts within the meaning of section 240 of the Act but has been extracted, without material adjustment, from the audited consolidated accounts of the Group for each of the three years ended 31st March 1996, each of which has been delivered to the Registrar of Companies in compliance with the Act. The Company's auditors, KPMG of 1 Forest Gate, Brighton Road, Crawley, West Sussex RH11 9PT, have made a report under section 235 of the Act on the accounts of the Group for each of the three years ended 31st March 1996, which were unqualified and did not contain a statement under section 237(2) or (3) of the Act.

#### Group Profit & Loss Accounts

	<i>Note</i>	<i>Year ended 31st March</i>		
		<i>1994</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
<b>Turnover</b>				
Existing operations		9,049	8,530	8,935
Acquisitions		—	—	1,134
<b>Turnover from continuing operations</b>	2	9,049	8,530	10,069
Cost of sales		(6,541)	(6,684)	(8,269)
<b>Gross profit</b>		2,508	1,846	1,800
Distribution costs		(134)	(115)	(152)
Administration costs		(1,315)	(1,107)	(1,354)
Exceptional administration costs	6	(149)	—	(90)
<b>Operating profit</b>	3	910	624	204
Income from interest in associated undertaking	13	243	424	429
Interest receivable		10	2	—
Interest payable	7	(71)	(48)	(163)
<b>Profit on ordinary activities before tax</b>		1,092	1,002	470
Tax on profit on ordinary activities	8	(438)	(360)	(224)
<b>Profit on ordinary activities after tax</b>		654	642	246
Dividends	9	(356)	(355)	(151)
<b>Retained profit for the year</b>	19	298	287	95
<b>Earnings per share</b> — full	10	14.2p	13.9p	5.3p
— excluding exceptional items	10	17.3p	13.9p	7.0p

There are no other recognised gains or losses other than those reported in the profit and loss account above.

#### Note on historical cost profits

Reported profit on ordinary activities before tax	1,092	1,002	470
Difference between the historical cost depreciation charge and the actual depreciation charge on the revalued amount	5	5	5
Historical cost profit on ordinary activities before tax	1,097	1,007	475
Historical cost profit retained for the year	303	292	100

## Group Balance Sheets

	Note	Year ended 31st March		
		1994 £'000	1995 £'000	1996 £'000
<b>Fixed assets</b>				
Intangible assets	11	38	38	38
Tangible assets	12	5,187	4,885	4,766
Investments	13	1,017	1,175	1,178
		<u>6,242</u>	<u>6,098</u>	<u>5,982</u>
<b>Current assets</b>				
Stocks	14	1,826	1,730	2,501
Debtors	15	1,536	1,455	2,178
		<u>3,362</u>	<u>3,185</u>	<u>4,679</u>
<b>Creditors: amounts falling due within one year</b>	16	(2,713)	(2,259)	(3,900)
<b>Net current assets</b>		<u>649</u>	<u>926</u>	<u>779</u>
<b>Total assets less current liabilities</b>		<u>6,891</u>	<u>7,024</u>	<u>6,761</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(283)	(125)	(1,075)
<b>Provisions for liabilities and charges</b>	17	(62)	(62)	(114)
<b>Net assets</b>		<u>6,546</u>	<u>6,837</u>	<u>5,572</u>
<b>Capital and reserves</b>				
Called-up share capital	18	924	924	932
Share premium account	19	3,205	3,209	3,297
Revaluation reserve	19	429	424	419
Capital redemption reserve	19	13	13	18
Capital reserve	19	7	7	7
Profit and loss account	19	1,968	2,260	899
<b>Equity shareholders' funds</b>		<u>6,546</u>	<u>6,837</u>	<u>5,572</u>

## Group Cashflow Statements

	<i>Note</i>	<i>Year ended 31st March</i>		
		<i>1994</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
<b>Net cash inflow/(outflow) from operating activities</b>	24	685	1,082	(219)
<b>Return on investments and servicing of finance</b>				
Net interest paid		(61)	(46)	(163)
Dividends received		—	100	240
Dividends paid		(340)	(356)	(357)
<b>Net cash outflow from returns on investment and servicing of finance</b>		(401)	(302)	(280)
<b>UK corporation tax paid</b>		(322)	(368)	(235)
<b>Investing activities</b>				
Purchase of tangible and intangible fixed assets		(498)	(227)	(307)
Sale of tangible fixed assets		14	30	64
Purchase of subsidiary undertaking (net of cash and cash equivalents acquired)	28	—	—	(299)
Purchase of business		(663)	—	—
<b>Net cash outflow from investing activities</b>		(1,147)	(197)	(542)
<b>Net cash (outflow)/inflow before financing</b>		(1,185)	215	(1,276)
<b>Financing</b>				
Issue of ordinary share capital	26	46	4	—
Purchase of ordinary share capital	26	—	—	(32)
Repayment of amounts borrowed	26	(68)	(69)	(34)
<b>Net cash outflow from financing</b>		(22)	(65)	(66)
<b>(Decrease)/increase in cash and cash equivalents</b>	25	<u>(1,207)</u>	<u>150</u>	<u>(1,342)</u>



## Notes to the financial statements

### 1. Accounting policies

#### *Financial statements*

The financial statements are prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards.

#### *Basis of consolidation*

The Group accounts consolidate the accounts of Creighton's Naturally plc and its subsidiary undertakings. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. For associated undertakings the Group includes its share of profits and losses in the consolidated profit and loss account and its share of post acquisition retained profits in the consolidated balance sheet. The premium arising on acquisition of the associated undertaking (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is amortised through the profit and loss account over the Directors' estimate of its useful life, such period not exceeding 20 years.

#### *Goodwill*

Goodwill relating to a business purchased by the Company is written off immediately against reserves.

#### *Fixed assets*

Fixed assets are stated at cost to the Group with the exception that certain freehold property is stated at an open market valuation with vacant possession made on 31st March 1989.

Depreciation, calculated on the cost or valuation of fixed assets, less estimated residual value, is provided on a straight line basis over their expected useful lives at the following rates:

	<i>% per annum</i>
Trade marks	7
Freehold land	Nil
Freehold buildings	2
Leasehold properties	over the lease period
Plant and machinery	10
Fixtures and fittings	10
Computers	25
Motor vehicles	20

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of manufacturing overheads.

#### *Taxation*

The charge for taxation is based upon the profits for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is only made to the extent that it is probable that such deferred taxation will become payable in the foreseeable future.

#### *Research and development*

Research and development expenditure is written off as incurred.

#### *Leases*

Rental income charges arising from operating leases are taken to the profit and loss account on a straight line basis over the life of the lease.

### *Pensions*

The Company operates defined contribution insured pension schemes covering senior employees. Charges in respect of the insured schemes are made to the profit and loss account in the year in which they fall due.

### *Currency translation*

Assets and liabilities expressed in currencies other than sterling are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising from exchange differences are taken to the profit and loss account.

## **2. Turnover**

Turnover represents income from the sale of toiletries, soap, fragrances and homecare products.

The analysis of turnover by geographical area is as follows:

	1994 £'000	1995 £'000	1996 £'000
United Kingdom	7,219	7,791	8,599
Europe	894	393	436
North America	838	169	724
Asia	32	128	279
Australasia	66	49	31
	<u>9,049</u>	<u>8,530</u>	<u>10,069</u>

## **3. Operating profit**

	1994 £'000	1995 £'000	1996 £'000
Operating profit is stated after charging:			
Directors' remuneration	332	330	367
Auditors remuneration — audit	24	24	25
— non-audit	101	3	1
Depreciation	512	502	514
Operating lease rentals — plant and machinery	13	13	13
Operating lease rentals, other: including land and buildings	137	137	137
Hire plant and machinery	12	4	9
Amortisation of premium on acquisition of associated undertaking	27	27	27

The business of Crestol Limited, acquired on 17th July 1995, was integrated within the existing activity immediately after acquisition and it is therefore not possible to disclose separately the operating profit and cashflows arising as a result of the acquisition.

The auditors also received non-audit remuneration of £29,000 which has been accounted for as a part of the cost of the acquisition of Crestol Limited.

## **4. Staff costs**

Average number of employees:	1994 No.	1995 No.	1996 No.
Management	12	13	15
Administration	15	13	17
Production	107	107	128
	<u>134</u>	<u>133</u>	<u>160</u>

	1994 £'000	1995 £'000	1996 £'000
Wages and salaries	1,714	1,654	2,029
Social security costs	160	158	188
Pension contributions	43	46	70
	<u>1,917</u>	<u>1,858</u>	<u>2,287</u>

## 5. Directors' remuneration

	1994 £'000	1995 £'000	1996 £'000
Fees	10	10	15
Salary	284	279	290
Pension contributions	38	41	62
	<u>332</u>	<u>330</u>	<u>367</u>

There were 100,000 share options granted to directors during 1996. Details of outstanding options are set out in note 29.

	1994 £'000	1995 £'000	1996 £'000
The emoluments of the chairman and the highest paid director, were:			
including pension contributions	Chairman 115	116	111
	Highest paid director 115	92	104
excluding pension contributions	Chairman 89	89	85
	Highest paid director 89	85	87

The emoluments, excluding pension contributions, of the directors were within the following ranges:

	1994 No.	1995 No.	1996 No.
£0 — £5,000	—	2	—
£5,001 — £10,000	1	—	—
£10,001 — £15,000	—	—	1
£50,001 — £55,000	—	2	1
£55,001 — £60,000	2	—	—
£60,001 — £65,000	—	—	1
£80,001 — £85,000	1	1	1
£85,001 — £90,000	1	1	1

In 1996 the fees of one director, £15,000, were paid to Singer & Friedlander.

## 6. Exceptional administrative cost

The exceptional administrative cost of £90,000 (1995 £nil; 1994 £149,000) relates to the costs of closing the Crestol Limited factory (1994: abortive acquisition costs).

**7. Interest payable**

	<i>1994</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
On bank loans, overdrafts and other loans wholly repayable within five years	47	35	163
On all other loans	24	13	—
	<u>71</u>	<u>48</u>	<u>163</u>

**8. Tax on profit on ordinary activities**

	<i>1994</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
The taxation charge based on the profit for the year comprises:			
Corporation tax at 33 per cent.	349	224	76
Adjustment in respect of previous year	13	(3)	1
	<u>362</u>	<u>221</u>	<u>77</u>
Tax on exceptional item	(7)	—	(12)
Share of tax of associated undertaking	83	139	159
	<u>438</u>	<u>360</u>	<u>224</u>

The tax charge for the year ended 31st March 1996 was affected by disallowable expenditure and excess depreciation.

**9. Dividends**

	<i>1994</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
Ordinary Shares:			
Interim dividend paid of 2.2p per share (1995: 2.2p; 1994: 2.2p)	102	102	104
Final dividend proposed of 1.0p per share (1995: 5.5p; 1994: 5.5p)	254	253	47
	<u>356</u>	<u>355</u>	<u>151</u>

**10. Earnings per share**

The earnings per share figure has been based on the profit after taxation of £246,000 (1995: £642,000; 1994: £654,000) and 4,646,000 (1995: 4,622,000; 1994: 4,604,000) ordinary shares of 20p, the weighted average of the number of shares in issue. The dilution in earnings per share if the share options had been exercised is not material.

**11. Intangible fixed assets**  
**Group**

	<i>Trademarks</i> £'000
<b>Cost</b>	
At 31st March 1994	52
Additions	4
At 31st March 1995	<u>56</u>
Additions	4
At 31st March 1996	<u>60</u>
<b>Depreciation</b>	
At 31st March 1994	(14)
Charge for year	(4)
At 31st March 1995	<u>(18)</u>
Charge for year	(4)
At 31st March 1996	<u>(22)</u>
<b>Net book value</b>	
At 31st March 1994	<u>38</u>
At 31st March 1995	<u>38</u>
At 31st March 1996	<u>38</u>

## 12. Tangible fixed assets

	<i>Freehold land and buildings £'000</i>	<i>Short leasehold land and buildings £'000</i>	<i>Plant equipment fixtures and motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost or valuation</b>				
At 31st March 1994	3,451	64	4,998	8,513
Additions	—	—	223	223
Disposals	—	—	(63)	(63)
At 31st March 1995	3,451	64	5,158	8,673
Additions	4	—	440	444
Disposals	—	—	(89)	(89)
At 31st March 1996	<u>3,455</u>	<u>64</u>	<u>5,509</u>	<u>9,028</u>
<b>Depreciation</b>				
At 31st March 1994	(469)	(42)	(2,815)	(3,326)
Disposals	—	—	35	35
Charge for year	(40)	(4)	(453)	(497)
At 31st March 1995	(509)	(46)	(3,233)	(3,788)
Disposals	—	—	36	36
Charge for year	(40)	(4)	(466)	(510)
At 31st March 1996	<u>(549)</u>	<u>(50)</u>	<u>(3,663)</u>	<u>(4,262)</u>
<b>Net book value</b>				
At 31st March 1994	<u>2,982</u>	<u>22</u>	<u>2,183</u>	<u>5,187</u>
At 31st March 1995	<u>2,942</u>	<u>18</u>	<u>1,925</u>	<u>4,885</u>
At 31st March 1996	<u>2,906</u>	<u>14</u>	<u>1,846</u>	<u>4,766</u>

Certain freehold land and buildings were valued at open market value with vacant possession on 31st March 1989.

The cost or valuation amount in fixed assets comprises £1,000,000 at valuation (1995: £1,000,000, 1994: £1,000,000) and £2,455,000 at cost (1995: £2,451,000, 1994: £2,451,000).

**Historical cost**

The freehold land and buildings held by a subsidiary on 1st April 1986 were transferred to the holding company at that date. If the freehold land and buildings had not been revalued, their amounts would have been:

	£'000
At 31st March 1994	3,046
Additions	—
At 31st March 1995	<u>3,046</u>
Additions	4
At 31st March 1996	<u>3,050</u>
Depreciation based on cost	
At 31st March 1994	(492)
Charge for year	(35)
At 31st March 1995	<u>(527)</u>
Charge for year	(35)
At 31st March 1996	<u>(562)</u>
Net historical book value	
At 31st March 1994	<u>2,554</u>
At 31st March 1995	<u>2,519</u>
At 31st March 1996	<u>2,488</u>

Freehold land, which is included in the above, amounts to £1,254,000 (1995: £1,254,000, 1994: £1,254,000) and has not been depreciated in the period.

### 13. Fixed asset investments

The Group's interest in its associated undertaking comprises:

	£'000
<b>Cost</b>	
At 31st March 1994, 31st March 1995 and 31st March 1996	846
<b>Share of post acquisition reserves</b>	
At 31st March 1994	204
Profit for the year	285
Dividend paid	(100)
At 31st March 1995	389
Profit for the year	270
Dividend paid	(240)
At 31st March 1996	419
<b>Amortisation of premium on acquisition</b>	
At 31st March 1994	(33)
Charge for the year	(27)
At 31st March 1995	(60)
Charge for the year	(27)
At 31st March 1996	(87)
<b>Net book value</b>	
At 31st March 1994	1,017
At 31st March 1995	1,175
At 31st March 1996	1,178

The Company's interest in its associated undertaking is stated at cost of £846,000. This represents 50 per cent. of the ordinary share capital of £200,000 of Fine Fragrances and Cosmetics Limited, a company registered in England and Wales.

The interest in the associated undertaking comprises the Group's share of net assets, amounting to £721,000 (1995: £691,000; 1994: £505,000) and the premium on acquisition not amortised of £457,000 (1995: £484,000; 1994: £511,000). Included within the Group's share of net assets is its share of intangible assets being trademarks amounting to £194,000 (1995: £255,000; 1994: £270,000).

The Company owns the entire issued ordinary share capital of Dalton Young Products Limited, Crestol Limited, St. James Perfumery Co. Limited and Hibavend Limited. As at 31st March 1996 these were dormant subsidiary undertakings which are registered in England and Wales.

Crestol Limited became a subsidiary of the Company on 17th July 1995 when the Company acquired the entire ordinary share capital at a cost of £1,654,000 (including acquisition costs). There were no fair value adjustments. The business operated by Crestol Limited was fully integrated into the Company's operations and Crestol Limited became dormant from that date.

### 14. Stocks

	1994 £'000	1995 £'000	1996 £'000
Raw materials and containers	1,203	1,280	1,473
Bulk preparations	126	159	216
Finished goods	497	291	812
	1,826	1,730	2,501



## 15. Debtors

	1994 £'000	1995 £'000	1996 £'000
Trade debtors	1,316	1,243	1,936
Amounts owed by associated undertaking	125	172	152
Other debtors	5	11	13
Prepayments and accrued income	90	29	77
	<u>1,536</u>	<u>1,455</u>	<u>2,178</u>

## 16. Creditors

	1994 £'000	1995 £'000	1996 £'000
<i>Due within one year</i>			
Bank overdraft	226	76	1,418
Other loans	—	—	300
Bank loans	69	47	38
Trade creditors	1,316	1,428	1,877
Other creditors	299	133	92
Corporation tax	350	204	17
Other tax and social security	87	93	95
Accruals	112	25	16
Proposed dividend	254	253	47
	<u>2,713</u>	<u>2,259</u>	<u>3,900</u>

	1994 £'000	1995 £'000	1996 £'000
<i>Due after one year</i>			
Other loans	—	—	1,000
Bank loans	147	100	75
Other creditors	136	25	—
	<u>283</u>	<u>125</u>	<u>1,075</u>

## Analysis of borrowing

	<i>Bank and other loans repayable by instalments</i>		
	1994 £'000	1995 £'000	1996 £'000
Repayment due: within 1 year	69	47	338
1-2 years	47	25	275
in 2-5 years	75	75	800
after 5 years	25	—	—
	<u>216</u>	<u>147</u>	<u>1,413</u>

The bank loans are secured by a mortgage on the freehold property and are repayable in nine bi-annual instalments of £12,500 bearing interest at 1.875 per cent. above the higher of the three month LIBOR rate or 7 per cent.

Other loans represent loan notes given to the vendors of Crestol Limited which have been guaranteed by Barclays Bank plc and are to be refinanced by a 5 year bank loan bearing interest at 1.75 per cent. above the bank's base rate as the loans are redeemed. Having regard to the fact that both the guaranteed loan notes and the 5 year bank loan were arranged as part of the same course of dealing with the same bank, the repayment profile of the loan notes is shown as being in line with the term loan repayment profile.

## 17. Provision for liabilities and charges

## Deferred taxation

	1994 £'000	1995 £'000	1996 £'000
<i>Provided</i>			
Accelerated capital allowances	126	126	126
ACT recoverable	(64)	(64)	(12)
	<u>62</u>	<u>62</u>	<u>114</u>
	<u><u>62</u></u>	<u><u>62</u></u>	<u><u>114</u></u>
	1994 £'000	1995 £'000	1996 £'000
<i>Unprovided</i>			
Accelerated capital allowances	212	218	181

**18. Called up share capital**

	<i>Authorised</i>		
	<i>1994</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
Ordinary shares of 20p each	1,200	1,200	1,200
	<i>No.</i>	<i>No.</i>	<i>No.</i>
	6,000,000	6,000,000	6,000,000
	<i>Allotted, called-up and fully paid</i>		
	<i>1994</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
Ordinary shares of 20p each	924	924	932
	<i>No.</i>	<i>No.</i>	<i>No.</i>
	4,619,520	4,622,020	6,988,698

Having passed the requisite resolution on 26th August 1994 the Company purchased 25,000 ordinary shares of 20p for £32,500 out of retained profits, representing 0.6 per cent. of called up share capital. These shares were subsequently cancelled and the issued share capital of the Company was diminished by their nominal value.

The Company allotted 62,112 ordinary shares of 20p during the year to 31st March 1996 at £1.61 to the vendors of Crestol Ltd. as part of the consideration for the acquisition of that company. <sup>(1(a))</sup>

During the year to 31st March 1995, 2,500 shares were issued under the Company's share option scheme. On 12th May 1995 the Company repurchased 25,000 shares at £1.30 each.

## 19. Reserves

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Profit and loss account £'000
At 31st March 1994	3,205	429	13	7	1,968
Revaluation surplus realised	—	(5)	—	—	5
Issue of shares	4	—	—	—	—
Profit and loss account	—	—	—	—	287
At 31st March 1995	<u>3,209</u>	<u>424</u>	<u>13</u>	<u>7</u>	<u>2,260</u>
Revaluation surplus realised	—	(5)	—	—	5
Purchase of own shares	—	—	5	—	(33)
Issue of shares	88	—	—	—	—
Goodwill written off	—	—	—	—	(1,428)
Profit and loss account	—	—	—	—	95
At 31st March 1996	<u>3,297</u>	<u>419</u>	<u>18</u>	<u>7</u>	<u>899</u>

The cumulative amount of goodwill written off amounts to £2,118,000 (1995 and 1994: £663,000).

## 20. Reconciliation of movements in shareholders' funds

	1994 £'000	1995 £'000	1996 £'000
Profit for the financial year	654	642	246
Dividends	(356)	(355)	(151)
	<u>298</u>	<u>287</u>	<u>95</u>
New share capital subscribed	46	4	96
Purchase of own shares	—	—	(28)
Goodwill written off	(663)	—	(1,428)
Net reductions in/additions to shareholders' funds	<u>(319)</u>	<u>291</u>	<u>(1,265)</u>
Opening shareholders' funds	6,865	6,546	6,837
Closing shareholders' funds	<u>6,546</u>	<u>6,837</u>	<u>5,572</u>

## 21. Capital commitments

Capital expenditure approved by the directors but not provided for in the financial statements:

	1994 £'000	1995 £'000	1996 £'000
Contracted	—	—	16
Authorised but not contracted	—	14	72
	<u>—</u>	<u>14</u>	<u>88</u>

## 22. Operating lease commitments

At 31st March there were annual commitments under operating leases as follows:

	1994 £'000	1995 £'000	1996 £'000
<i>Land and buildings</i>			
Payments due within one year for leases which expire:			
within one year	—	—	—
from one to two years	—	—	—
from one to five years	—	88	88
over five years	136	48	48
	<u>136</u>	<u>136</u>	<u>136</u>
	1994 £'000	1995 £'000	1996 £'000
<i>Other</i>			
Payments due within one year for leases which expire:			
within one year	1	7	4
from one to two years	11	1	—
from two to five years	1	—	1
over five years	—	—	—
	<u>13</u>	<u>8</u>	<u>5</u>

## 23. Close company

The Company is not a close company as defined in the Income and Corporation Taxes Act 1988.

## 24. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1994 £'000	1995 £'000	1996 £'000
Operating profit	910	624	204
Depreciation	512	501	514
Loss/(profit) on sale of tangible fixed assets	3	(2)	(11)
(Increase)/decrease in stocks	(490)	96	(582)
(Increase)/decrease in debtors	(622)	81	(467)
Increase/(decrease) in creditors	345	(245)	96
Amortisation of premium on acquisition	27	27	27
Net cash inflow/(outflow) from operating activities	<u>685</u>	<u>1,082</u>	<u>(219)</u>

## 25. Analysis of changes in cash and cash equivalents

	Overdraft £'000	Net £'000
Balance at 31st March 1994	(226)	(226)
Net cash inflow	<u>150</u>	<u>150</u>
Balance at 31st March 1995	(76)	(76)
Net cash outflow	<u>(1,342)</u>	<u>(1,342)</u>
Balance at 31st March 1996	<u>(1,418)</u>	<u>(1,418)</u>

**26. Analysis of changes in financing during the year**

	<i>Share premium (including premium) £'000</i>	<i>Loans and finance lease obligations £'000</i>
Balance at 31st March, 1994	4,129	216
Cash inflow/(outflow) from financing	4	(69)
Balance at 31st March 1995	<u>4,133</u>	<u>147</u>
Cash outflow from financing	(32)	(34)
Shares issued for non-cash consideration	100	—
Loans issued for non-cash consideration	—	1,300
Purchase of ordinary shares out of own reserves	28	—
Balance at 31st March 1996	<u>4,229</u>	<u>1,413</u>

**27. Purchase of subsidiary undertaking**

The purchase of Crestol Limited took place on 17th July 1995.

	<i>£'000</i>
<i>Net assets acquired</i>	
Tangible fixed assets	141
Stocks	189
Debtors	256
Creditors	(315)
Bank overdraft	(45)
	<u>226</u>
Goodwill	1,428
	<u>1,654</u>
<i>Satisfied by</i>	
Shares allotted	100
Cash	254
Loan notes	1,300
	<u>1,654</u>

**28. Analysis of the net outflow of cash and cash equivalents of the purchase of subsidiary undertakings**

	<i>£'000</i>
Cash consideration	254
Bank overdrafts of acquired subsidiary undertakings	45
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>299</u>

## 29. Share options

Eligibility to participate further in the Company's share option scheme ceased on 6th May 1996<sup>(1(b))</sup>. Participation in the scheme was open to all full-time employees, including executive directors, except persons holding more than 10 per cent. of the issued ordinary share capital. Those options that have been granted were for £1 and there were no performance criteria conditional upon which the options were exercisable. Not more than 5 per cent. of the issued ordinary share capital could be placed under option over any 10 year period, subject to an overall maximum of 375,000 shares.

At 31st March 1996 the following options were outstanding:

<i>Date of grant of option</i>	<i>No. of ordinary shares</i>	<i>Period of exercise</i>	<i>Price</i>
September 1986	31,500	September 1989 to September 1996	126p
August 1987	7,500	August 1990 to August 1997	224p
August 1988	2,500	August 1991 to August 1998	316p
December 1989	2,500 (1(c))	December 1992 to December 1999	150p
July 1990	20,000	July 1993 to July 2000	123p
May 1992 (1(f))	62,000 (1(d))	May 1995 to May 2002	235p

The share options outstanding at 31st March for the directors are as follows:

	<i>Options outstanding</i>	<i>Exercise price</i>	<i>Exercise dates</i>
A. M. Nicholls	31,500	126p	September 1989 to September 1996
	5,000	224p	August 1990 to August 1997
	12,500	235p	May 1995 to May 2002
G. D. Clements	25,000	235p	May 1995 to May 2002
R. W. Bailey	2,500	224p	August 1990 to August 1997
	2,500	316p	August 1991 to August 1998
	20,000	123p	July 1993 to July 2000
	12,500	235p	May 1995 to May 2002

2000 options lapsed during the year <sup>(1(e))</sup>. The market price of the shares at 31st March 1996 was 100p and the range during the year was 65p to 165p.

### Note 1:

The Company's Report and Accounts for the year to 31st March 1996 incorrectly stated that:

- 62,122 ordinary shares of 20p were allotted to the vendors of Crestol Limited in the year ended 31st March 1996 rather than 62,112;
- the Company's Share Option Scheme lapsed on 31st March 1996 rather than 6th May 1996;
- as at 31st March 1996 there were 4,500 options outstanding which had been granted in December 1989 rather than 2,500;
- as at 31st March 1996 there were 59,500 options outstanding which had been granted in May 1992 rather than 62,000;
- no options lapsed in the year to 31st March 1996 rather than 2,000; and
- 100,000 options were issued in March 1996. It has subsequently become apparent that these were invalidly granted under the rules of the Share Option Scheme. These options have therefore been cancelled.

## PART V

### SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN EXISTING AND PROPOSED NEW ARTICLES OF ASSOCIATION

The Proposed Articles are in substantially the same form as the Articles. The Proposed Articles reflect current practice and London Stock Exchange requirements and permit Creighton's Naturally ordinary shares to be held in uncertificated form and transferred otherwise than by written instrument if permission is given for those shares to be transferred on a "relevant system" as defined in The Uncertificated Securities Regulations 1995 (including that operated by CRESTCo. Limited).

The principal differences between the Articles and the Proposed Articles are that the Proposed Articles:

- (i) provide for an authorised share capital of £4,200,000 divided into 21,000,000 ordinary shares of 20p each. This reflects the provisions of Resolution 1 which is to be proposed at the EGM;
- (ii) require that when instruments transferring shares are lodged with the Company, they should be accompanied by the relevant share certificate (except where the shares are registered in the name of a Stock Exchange Nominee where no certificate has been issued) and such other evidence (if any) as the directors may require to prove the title of the transferor or his right to transfer the shares;
- (iii) provide that where a person fails to make payment when due on a call, such person will be liable to pay all costs, charges and expenses which the Company incurs in procuring payment of, or as a result of the non-payment of, the call. This is in addition to the current provision which permits the Company to charge interest;
- (iv) give the directors the right to require evidence of the authority of any officer, attorney or other person signing a proxy form on behalf of a corporation;
- (v) state that the instrument appointing a proxy shall be deemed to confer authority to demand or concur in demanding a poll;
- (vi) require that the prescribed time between the date when notice of a person being proposed for the position of director is given and the day appointed for the relevant general meeting must not be less than 7 nor more than 42 clear days;
- (vii) provide that, in addition to the existing provisions, the office of a director shall be vacated, if the director becomes bankrupt;
- (viii) state that alternate directors appointed in terms of the Proposed Articles shall be subject to the provisions, terms and conditions of the Proposed Articles as they exist with reference to the directors;
- (ix) state that an auditors report or certificate shall be conclusive evidence of the amount of adjusted share capital and consolidated reserves, moneys borrowed or that borrowing powers have not been exceeded;
- (x) provide that the directors may establish reserve accounts to be managed as they see fit and may carry forward profits which the directors think it prudent not to divide, without placing such in the reserves;
- (xi) provide that any member present (personally or by proxy) at a meeting of the Company or class of members of the Company shall be deemed to have received due notice of such meeting and that the signature on any notice to be given by the Company may be written or printed;
- (xii) permit the purchase and maintenance of insurance for the directors and officers of the Company;
- (xiii) provide for non-executive directors' remuneration to be limited to £40,000, an increase on the existing figure of £20,000.
- (xiv) provide specifically for the division of surplus assets amongst members on the winding up of the Company, on the same basis as already applied in terms of the common law;
- (xv) provide for the appointment of a chairman of a meeting of a committee of the directors and for the adjournment of any such meeting; and
- (xvi) state that in addition to the existing provisions on directors' interests, a director shall also be entitled to vote in respect of a resolution concerning the purchase by the Company of insurance for the benefit of directors or persons including directors.

## PART VI

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Directors of Creighton's Naturally, whose names appear below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

- (a) The Company was incorporated in England and Wales on 29th September 1975 under the Companies Acts 1948 to 1967 with Company Number 1227964 as a company limited by shares under the name Hibavend Limited. On 1st April 1986 it changed its name to Creighton's Laboratories Limited and on 22nd May 1986 was re-registered as a public limited company under the name Creighton's Laboratories plc. The Company's name was changed to Creighton's Naturally plc on 29th August 1989. The Company operates under the Companies Act 1985 as amended by the Companies Act 1989.
- (b) The Group carries on the business of the creation and manufacture of toiletries, soaps and fragrances.
- (c) The registered office, head office and principal place of business of the Company is Unit 1, Water Lane Industrial Estate, Storrington, Pulborough, West Sussex RH20 3DP.
- (d) The registrars of the Company are Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA.
- (e) The accounts of the Company for the years ended 31st March 1994, 31st March 1995 and 31st March 1996 were audited by KPMG. The audit reports for those periods were unqualified. The Company's auditors are KPMG Audit Plc.

#### 3. Directors

The Directors of the Company and their respective functions are as follows:

John Carr	Executive Chairman
Angela M. Nicholls	Technical Director
Michael P. Sutton	Non-executive Director

The business address of the Directors is Unit 1, Water Lane Industrial Estate, Storrington, Pulborough, West Sussex RH20 3DP.

#### 4. Share capital

- (a) The present authorised, issued and fully paid share capital of Creighton's Naturally is as follows:

<i>Authorised</i>	<i>Number</i>	<i>Amount</i>
Ordinary Shares of 20p each	6,000,000	£1,200,000
<i>Issued and fully paid:</i>		
Ordinary Shares of 20p each	4,659,132	£931,826.40



All the Existing Ordinary Shares are in registered form and listed on the Official List. The New Ordinary Shares will be in registered form.

- (b) The authorised, issued and fully paid share capital of Creighton's Naturally following the completion of the Placing and Open Offer, before the exercise of any options, will be as follows:

<i>Authorised</i>	<i>Number</i>	<i>Amount</i>
Ordinary Shares of 20p each	21,000,000	£4,200,000
<i>Issued and fully paid:</i>		
Ordinary Shares of 20p each	19,876,523	£3,975,304.60

- (c) The following options to subscribe for Existing Ordinary Shares (for which a consideration of £1 was paid on the grant thereof) are outstanding under the Share Option Scheme:

<i>Date of Grant</i>	<i>Number of Ordinary Shares</i>	<i>Exercise price per Ordinary Share</i>	<i>Period of exercise</i>
August 1987	7,500	224p	August 1990 – August 1997
August 1988	2,500	316p	August 1991 – August 1998
December 1989	2,500	150p	December 1992 – December 1999
July 1990	20,000	123p	July 1993 – July 2000
May 1992	35,000	235p	May 1995 – May 2002

The Share Option Scheme lapsed on 6th May 1996 and following that date no further options could be granted.

- (d) Save as disclosed in sub-paragraph (c) above, no share capital of the Company or of any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (e) In the three years preceding the date of this document the following changes have been made to the share capital of the Company:
- On 16th March 1994 2,500 Existing Ordinary Shares were issued under the Share Option Scheme at a price of £1.50 per share (representing a premium of £1.30 per share).
  - On 12th May 1995 the Company purchased 25,000 Existing Ordinary Shares at a price of £1.30 per share. These shares represented 0.6 per cent. of called up share capital and the consideration was paid out of retained profits. The shares were subsequently cancelled and the issued share capital of the Company was diminished by their nominal value.
  - On 3rd August 1995, 62,112 Existing Ordinary Shares were issued as part of the consideration for the acquisition of Crestol Limited at a price of £1.61 per share (representing a premium of £1.41 per share).

There have been no other changes in the issued share capital of the Company in the three years preceding the date of this document.

- (f) Resolution number 1 to be proposed at the EGM ("Resolution 1") will, subject to and conditional upon (but effective immediately prior to) the admission of the New Ordinary Shares to the Official List becoming effective;
- (i) increase the authorised share capital of the Company from £1,200,000 to £4,200,000 by the creation of 15,000,000 New Ordinary Shares;
  - (ii) generally and unconditionally authorise the directors of the Company for the purposes of Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) of the Company up to an aggregate nominal value of £3,043,478.20 such authority expiring on the fifth anniversary of the date of the passing of Resolution 1 save that the directors of the Company may allot relevant securities in pursuance of an offer or agreement made by the Company before such expiry as if the power conferred by the resolution had not expired; and
  - (iii) empower the directors of the Company to allot equity securities (as defined in Section 94 of the Act) as if Section 89(1) of the Act did not apply to any such allotment provided that the power is limited to the allotment of 15,217,391 New Ordinary Shares and such power will expire on 9th January 1998 save that the directors of the Company may allot equity securities in pursuance of an offer or agreement made by the Company before such expiry as if the power conferred by the resolution had not expired.
- (g) Resolution number 2 to be proposed at the EGM will, subject to the consent of the Court, authorise the cancellation of the sum of £3,297,000 which is standing to the credit of the Company's share premium account.
- (h) No New Ordinary Shares are being offered to the public other than in conjunction with the Placing and Open Offer.

## 5. Directors' and other interests

- (a) As at 13th December 1996 (the latest practicable date prior to the publication of this document), the interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families in the issued share capital of the Company (i) which have been notified to the Company pursuant to Sections 324 or 328 of the Act or (ii) which are required to be entered in the Register maintained by the Company pursuant to Section 325 of the Act or (iii) which are interests of a connected person within the meaning of Section 346 of the Act of the Director which would if the connected person were a Director be required to be disclosed under (i) and (ii) above and the existence of which is known or could with reasonable diligence be ascertained by the Director are as follows:

Name	Ordinary Shares	% of voting share capital before implementation of the Proposals		Options
J. Carr	500,000	10.73		—
A. M. Nicholls	6,987	0.15		17,500
M. P. Sutton	—	—		—

Save as disclosed above, no Director has any interest in the share capital of the Company or of any of its subsidiaries.

- (b) Save as disclosed in paragraph 5(c) below no Director has any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which has been effected by the Company or any subsidiary since 31st March 1995 or which was effected prior to that date but remains in any respect outstanding or unperformed.

- (c) Michael Sutton, who is a Director, is a director of Singer & Friedlander, which receives a director's fee of £18,000 per annum from the Company in connection with the services of Mr Sutton and will receive fees and commissions under the Placing Agreement as set out in paragraph 9(a) below.
- (d) As at the date of this document, there are no outstanding loans granted by any member of the Group to any Director and there are no guarantees provided by any member of the Group for the benefit of any Director.
- (e) The following shareholdings (other than holdings of Directors and their families) representing 3 per cent. or more of the issued share capital of the Company as at 13th December 1996 the latest practicable date before the printing of this document, appear on the Company's Register of Members:

<i>Name</i>	<i>Ordinary Shares</i>	<i>% of voting share capital before implementation of the Proposals</i>
British Overseas Bank Nominees Limited a/c 6808	183,000	3.93
British Overseas Bank Nominees Limited a/c 6824	155,000	3.32
Citifriends Nominee Limited a/c UTSINC	220,000	4.72
Glenda Marian Collard	209,705	4.5
Richard David Collard	261,320	5.61
Ferlim Nominees Limited a/c H525	400,000	8.59
Glyn Mills Nominees (Lombard Street) Limited a/c 1781	335,000	7.19
Ivory & Sime UK Discovery Trust plc	500,000	10.73

Save as disclosed above, the Directors are not aware of any person who, directly or indirectly, is interested (within the meaning of Part VI of the Act) in three per cent. or more of the issued share capital of the Company.

- (f) The Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over Creighton's Naturally.

## 6. Directors' service agreements and emoluments

- (a) Angela Nicholls has a service agreement with the Company as an Executive Director, which was made available for inspection prior to the Annual General Meeting of the Company on 26th August 1996 and has not subsequently been varied.
- (b) John Carr's services are provided to the Company under the terms of a contract between the Company and J. P. Carr and Co Limited dated 24th September 1996 as amended on 12th December 1996. Under this contract, a fee of £100,000 per annum (excluding VAT) is to be paid by the Company in respect of John Carr's services. The fee is reviewable on 1st October 1997 and annually thereafter. The contract is for an initial term of 2 years and is terminable upon 12 months notice given at any time from 1st October 1997. The contract also provides for a bonus of £50,000 to be paid to John Carr should he succeed in recapitalising the Company by 31st March 1997 (or such later date as may be agreed), a monthly pension contribution of £1,250, payment of the annual private medical insurance premium for John Carr and his family. The Company will provide John Carr with the use of a car upon the successful recapitalisation of the Company. He will also be entitled to participate (on terms approved by the Company's remuneration Committee) in any bonus or incentive scheme for employees and/or directors which may in due course be approved by the shareholders in general meeting.

- (c) The total aggregate of the remuneration paid and benefits in kind (including pension contributions) granted to the Directors by the Group during the year ended 31st March 1996 was £83,000.

## **7. Memorandum of Association**

The principal objects of Creighton's Naturally are to carry on business as manufacturers of and dealers in chemicals, gases, drugs, medicines and various other substances, materials and equipment. The objects are set out in full in clause 4 of the Company's Memorandum of Association which is available for inspection at the addresses specified in paragraph 19 below.

## **8. Articles of Association**

Full details of the rights attaching to the Existing Ordinary Shares are contained in the Articles which are available for inspection at the addresses specified in paragraph 19 below.

### **(a) Ordinary Shares**

The principal rights attaching to the Existing Ordinary Shares are summarised below:

#### **(i) As regards dividends**

Subject to the provisions of the Act Creighton's Naturally in General Meeting may declare dividends to be paid to the holders of the Company's Existing Ordinary Shares but no dividends shall exceed the amount recommended by the directors. All dividends are apportioned and paid proportionally to the amounts paid on the shares during any portion or portions of the period in respect of which the dividends are paid, but shares may be issued on terms providing that they shall rank for dividend from a particular date. The directors may from time to time pay such interim dividends as appear to them to be justified by the position of the Company. Any dividend unclaimed after a period of 12 years from the date of declaration is forfeited and reverts to Creighton's Naturally.

#### **(ii) As regards capital**

On the winding up of Creighton's Naturally the balance of the assets available for distribution to shareholders, if sufficient or more than sufficient to pay to the holders of Existing Ordinary Shares the whole amount paid up or credited as paid up on the Existing Ordinary Shares shall be applied first in paying the whole amount paid up or credited as paid up on the Existing Ordinary Shares and the balance shall be distributed amongst the holders of Existing Ordinary Shares in proportion to the amounts of nominal capital held by them respectively; but, if such balance of the assets is insufficient to pay such amount in full, the balance of such assets shall be distributed in such manner that the loss of capital which has been sustained may be divided amongst the holders of Existing Ordinary Shares in proportion to the amounts of nominal capital held by them respectively.

#### **(iii) As regards voting**

Subject to disenfranchisement in the event of non-payment of calls or non-compliance with a notice requiring disclosure of beneficial ownership of shares, on a show of hands every holder of Existing Ordinary Shares who (being an individual) is present in person or by proxy or (being a corporation) is present by its representative, shall have one vote and on a poll every holder of Existing Ordinary Shares who (being an individual) is present in person or by proxy or (being a corporation) is present by its representative shall have one vote for every such share held by him.

#### **(iv) As regards transferability**

Any member may transfer all or any of his Existing Ordinary Shares by an instrument in writing in any usual or common form or in any other form which the directors may approve. Directors may, in their absolute discretion and without assigning any reason, refuse to register a transfer of any share which is not fully paid up or upon which the Company has a lien.

(b) *Variation of Class Rights*

Subject to the Act, the rights attaching to all classes of shares may be varied with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of holders of shares of the class.

(c) *Changes in Share Capital*

Creighton's Naturally may by ordinary resolution increase, consolidate and divide or subdivide its share capital and cancel unissued share capital. Without prejudice to any rights attached to any existing shares, a new share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or, in the absence of such determination, as the directors may determine) and subject to the Act, a new share may be issued on the terms that it is (or at the option of the Company is to be liable) to be redeemed. The Company may, subject to such sanction of the Court as may be required by the Act, from time to time by special resolution reduce its share capital or any capital redemption reserve fund or share premium account. The Company may also, subject to the Act, purchase its own shares.

(d) *Directors*

- (i) Unless otherwise determined by the shareholders of the Company by ordinary resolution, the number of directors may not exceed 12 and may not be less than 3.
- (ii) The shareholding qualifications for directors may be fixed by the Company in General Meeting and unless and until so fixed no qualification shall be required.
- (iii) Directors of Creighton's Naturally are not required to retire on the grounds of age.
- (iv) The fees paid to the directors for their services in the office of director shall not exceed £20,000 per annum or such higher amount as the shareholders of the Company may by ordinary resolution determine. Such fees are to be divided in such manner as the directors may agree or (failing agreement) divided equally. Any such fee is distinct from any salary, remuneration or other amounts payable to a director who renders any executive, special or extra services to the Company who may be paid such extra remuneration by way of salary, commission, lump sum, participation in profits or otherwise as the directors may determine. The directors are also entitled to reimbursement of all travelling, hotel and other expenses reasonably incurred by them in connection with the business of the Company.
- (v) At each annual general meeting of the Company, one-third of the directors of the Company not otherwise required to retire (excluding any director holding office as Chairman, Managing Director or Joint Managing Director) shall retire from office by rotation.
- (vi) Subject to the Act and provided that he has disclosed to the board the nature and extent of his interest, a director may be a party to, or in any way interested, either directly or indirectly, in any contract, arrangement or transaction to which the Company is a party or in which the Company is in any way interested, whether directly or indirectly.
- (vii) A director may not vote at a meeting of directors on any resolution concerning any contract, transaction or arrangement or any other proposal whatsoever in which he or any person connected with him has a material interest otherwise than by virtue of an interest in shares, debentures or other securities of, or otherwise in or through, Creighton's Naturally unless any such resolution relates to any of the following:
  - (1) the giving of any security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
  - (2) the giving of any security or indemnity to a third party in respect of a debt or obligation of Creighton's Naturally or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under guarantee or indemnity or by the giving of security;

- (3) any proposal concerning an offer of shares or debentures or other securities of or by any member of the Group for subscription or purchase in which offer the director is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (4) any proposal concerning any other company in which he, directly or indirectly, does not hold an interest in shares representing one per cent or more of any class of issued equity share capital, or the voting rights, in such company;
- (5) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death, disability or other benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes;
- (6) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which he benefits in a similar manner to the employees and which does not accord to him as such any privilege or advantage not generally accorded to the employees to whom such arrangement relates.

A director shall not be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote.

*(e) Borrowing Powers*

The directors may exercise all of the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and, subject to the provisions of the Articles, to issue debentures and other securities.

The directors shall ensure that the borrowings of Creighton's Naturally shall not exceed, and shall exercise all voting and other rights or powers of control exercisable by Creighton's Naturally in relation to its subsidiaries so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate principal amount outstanding in respect of all money borrowed by the Company and its subsidiaries together (other than intra-group borrowings) shall not exceed, an amount equal to one and a half times the aggregate of the adjusted share capital and consolidated reserves.

*(f) Winding Up*

On the winding up of Creighton's Naturally the liquidator may, if sanctioned by an extraordinary resolution and with any other sanction required by law, divide the assets of the Company among the members of the Company in specie or in kind.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.

## 9. Material contracts

Details of the contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document which are, or may be, material are set out below:

- (a) The placing agreement (the "Placing Agreement") dated 18th December 1996 between (1) the Company (2) Singer & Friedlander and (3) the Directors pursuant to which Singer & Friedlander has, subject to the conditions set out below, agreed as agent of the Company to make the Open Offer and to use its reasonable endeavours as agent for the Company to procure placees to subscribe for, or failing which to subscribe itself for, the New Ordinary Shares subject to clawback to satisfy valid applications under the Open Offer. The obligations of Singer & Friedlander under the Placing Agreement are conditional, *inter alia*, on satisfaction of the following conditions by 16th January 1997 (or such later date as Singer & Friedlander may agree, being a date not later than 31st January 1997):
  - (1) the passing (without amendment) of the Resolutions numbered 1 to 3 in the notice of EGM;
  - (2) admission to the Official List of the New Ordinary Shares becoming effective.

The Placing Agreement provides for the Company to pay Singer & Friedlander:

- (i) commitment commission of 1 per cent. on the aggregate value of the New Ordinary Shares to be issued pursuant to the Placing and Open Offer at the Placing Price in respect of the first thirty days of Singer & Friedlander's commitment, out of which Singer & Friedlander will pay sub-underwriting commission to placees of  $\frac{1}{2}$  per cent. on the aggregate value of the New Ordinary Shares other than the firm placed shares;
- (ii) further commission of  $\frac{3}{4}$  per cent. of the value of the New Ordinary Shares (other than the firm placed shares) at the Placing Price not taken up pursuant to the Open Offer if the Placing Agreement becomes unconditional which Singer & Friedlander will pay to placees; and
- (iii) if dealings in the New Ordinary Shares do not commence within 30 days of the date of the Placing Agreement, a further commitment commission of  $\frac{1}{8}$  per cent. on the value of the New Ordinary Shares other than the firm placed shares at the Placing Price for each week or part thereof thereafter up to and including the earlier of (a) the first day of dealings in the New Ordinary Shares or (b) the date upon which Singer & Friedlander's obligations terminate or cease under the Placing Agreement, which Singer & Friedlander will pay to placees.

The Company has also agreed to pay to Singer & Friedlander all other costs, charges and expenses relating to or incidental to the Placing and Open Offer.

The Placing Agreement contains certain warranties and indemnities to or in favour of Singer & Friedlander by the Company and the Directors.

The obligations of Singer & Friedlander under the Placing Agreement may be terminated by Singer & Friedlander prior to admission to the Official List of the New Ordinary Shares in certain circumstances including where there has been a material breach of any of the warranties contained therein or if prior to 5.30 pm on 18th December 1996 there shall have occurred any national or international, political, military, diplomatic, economic event or change in market conditions which in the opinion of Singer & Friedlander is likely to have a significant adverse effect so as to make the Placing and Open Offer inexpedient or inadvisable.

Each of the Directors has undertaken in the Placing Agreement not to dispose of any ordinary shares of 20p each in the capital of the Company held by him without the prior written consent of Singer & Friedlander prior to the date of publication of the audited report and accounts of the Group for the year ending 31st March 1998.

- (b) A settlement agreement was entered into between the Company and Gerald Clements on 14th October 1996 in terms of which the Company agreed to pay to Gerald Clements the sum of £30,000 in respect of the termination of his employment with the Company. The Company also agreed to transfer the ownership of two vehicles to Gerald Clements and undertook to discharge any financial encumbrance outstanding upon the said vehicles as at 14th October 1996. The agreement also contained a tax indemnity in terms of which Gerald Clements will indemnify the Company in respect of any liability to taxation arising from any of the payments made under the agreement. Gerald Clements also confirmed that the agreement was in full and final satisfaction of all or any claims that he may have against the Company in connection with his employment.
- (c) In terms of two letters dated 24th September 1996 the Company agreed to pay to Richard Collard the sum of £30,000 (plus £8,840 representing pension contributions) in respect of the termination of his service contract with the Company and to transfer the ownership of two vehicles to him.
- (d) The Company entered into a consultancy agreement with Richard Collard on 24th September 1996. Under this agreement a fee of £15,000 per annum is to be paid by the Company in respect of consultancy services to be provided by Richard Collard. The agreement is for a term of 5 years commencing on 1st January 1997 and is terminable upon breach of certain provisions by Richard Collard or upon his absence through illness or injury for a consecutive or aggregate period of 9 months in any period of 12 months. In terms of the agreement, Richard Collard is to be available for up to 50 days during each year as required by the Chairman.
- (e) The Company entered into an acquisition agreement relating to the acquisition of the whole of the issued share capital of Crestol Limited dated 17th July 1995.

In terms of this agreement the Company purchased 30,000 ordinary shares of £1 each in the capital of Crestol Limited (representing the whole of the issued share capital of that company) from Peter Groom and Graham Harris. The consideration paid was the sum of £1,500,000 and was settled as follows:

- (a) the sum of £100,000 by the allotment and issue of 62,112 shares in the Company;
- (b) the sum of £1,300,000 by the delivery of guaranteed loan notes; and
- (c) the sum of £100,000 paid in cash.

£100,000 of the loan notes were to be redeemable in the event that Peter Groom remained an employee of the Company for 1 year following completion of the acquisition. These loan notes have now been redeemed. An additional £100,000 will only be redeemable if Peter Groom remains an employee of the Company for a second year following completion of the acquisition.

The agreement also provided for the preparation of completion accounts. Any surplus in the net tangible assets above £230,000 was to result in an increase in the consideration of an amount equal to that surplus, subject to a maximum increase of £5,000. To the extent that there was a shortfall below the expected net asset figure of £225,000, the first £25,000 of any shortfall was to be reduced at a rate of £1 for each £1 of shortfall, and thereafter at the rate of £6.66 for each £1 of shortfall. All adjustments to the consideration were to be made in cash. No such adjustment was made.

## 10. Litigation

On 15th October 1993, the Company and R. I. G. Inc., of Jacksonville, Florida ("RIG") entered into a sole distributorship agreement ("the Agreement") appointing RIG as sole distributor of the Company's products in the USA for an initial period of three years. On 23rd November 1996, the Company gave RIG three months' notice of termination of the Agreement in accordance with its terms. RIG disputes the validity of the termination and has threatened to raise an action for damages against the Company if the Company does not reinstate the Agreement. Pending resolution of the dispute, RIG is withholding payments to the Company. On the basis of legal advice on the Company's position obtained both in England and in Florida, the Directors are satisfied that the Agreement was validly terminated, that RIG has no grounds for withholding payments and that the dispute will not have a significant effect on the financial position of the Group.

So far as the Directors are aware, as at 17th December 1996, the latest practicable date before the printing of this document, the Group is not engaged in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position of Group. Nor are the Directors aware of any such litigation, arbitration or claim pending or threatened against members of the Group which may have such an effect.

## 11. Indebtedness

At the close of business on 29th November 1996, the Group had the following outstanding indebtedness:

	£
Secured bank overdraft	1,894,727
Secured bank loans	542,500
Loan notes (secured by a bank guarantee)	650,000
Other secured loans	87,500
Obligations under finance leases	74,250

Save as aforesaid and apart from intra-group liabilities, at the close of business on 29th November 1996, no member of the Group had outstanding any loan capital (whether issued or created but unissued), nor any term loans, nor any other borrowings, including bank overdraft and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, obligations under finance leases, guarantees or other contingent liabilities.



## 12. Working capital

The Directors are of the opinion that taking into account the available bank facilities and the net proceeds of the Placing and Open Offer the Group has sufficient working capital for its present requirements.

## 13. Stock Exchange quotations

The table below lists the closing middle market quotations for an Existing Ordinary Share for the first dealing day in each of the six months before the date of this document and the last practicable date prior to the publication of this document as derived from the Official List.

<i>Dealing Day</i>	<i>Middle Market Price</i>
1st July 1996	76p
1st August 1996	72p
2nd September 1996	71p
1st October 1996	75p
1st November 1996	65p
2nd December 1996	60p
17th December 1996	40p

## 14. Investments

During the three financial years ended 31st March 1996 and the current financial year Creighton's Naturally made the following investments:

On 28th May 1993 the Company acquired the whole of the issued share capital of Dalton Young Products Limited for an initial payment of £626,857, plus further payments based on sales estimated to total £395,000.

On 17th July 1995 the Company acquired the whole of the issued share capital of Crestol Limited at a cost of £1,654,000 (including acquisition costs).

## 15. Subsidiary undertakings

The Company is the holding company of a group and its principal wholly owned subsidiaries are listed below:

<i>Subsidiary Name</i>	<i>Activity</i>
Crestol Limited	Dormant
Dalton Young Products Limited	Dormant
Hibavend Limited	Dormant
St. James Perfumery Co. Limited	Dormant

These four subsidiaries have the same registered office as Creighton's Naturally.

The Company has a 50 per cent. interest in Fine Fragrances and Cosmetics Limited, whose registered office is at 6 Kingsway Business Park, Oldfield Road, Hampton, Middlesex TW12 2HD, a wholesale distributor and manufacturer of toiletries, cosmetics and perfume. As at 30th November 1996 Fine Fragrances and Cosmetics Limited owed a trading balance of £194,089 to Creighton's Naturally.

## 16. Principal establishments

The Group's only principal establishments (being establishments which account for over 10 per cent. of net turnover or production) are at Water Lane Industrial Estate, Storrington, Pulborough, West Sussex and Unit 2, Star Road Industrial Estate, Partridge Green, Horsham, West Sussex.

The property at Water Lane Industrial Estate consists of 17 units with an approximate total gross internal floor area of 95,150 square feet. The Company owns the freehold interest in all of the units. All of the Group's production takes place at this property other than as specified below.

The Partridge Green property is a leasehold property rented by the Company from Courtaulds C.I.F. Nominees for an annual rental of £88,500. The approximate size of this property is 16,000 square feet. The Partridge Green property is used for the manufacturing and packaging of soaps and powders.

#### **17. Employee schemes**

The Share Option Scheme lapsed on 6th May 1996 and following that date no further options could be granted. A number of options remain outstanding under the Share Option Scheme, however, and these are shown in paragraph 4(c) of this Part VI. The Company has no other employee schemes.

#### **18. Miscellaneous**

- (a) The costs and expenses payable by the Company in connection with the Placing and Open Offer are estimated to amount to approximately £0.4 million (exclusive of VAT) including total remuneration to financial intermediaries estimated to amount to approximately £0.2 million (exclusive of VAT). Commission will not be paid with regard to the New Ordinary Shares to be subscribed for by The J. P. Carr and Co. Limited Retirement Benefit Scheme under the Placing.
- (b) Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31st March 1996, the date of the Company's latest audited accounts.
- (c) Singer & Friedlander is regulated by the Securities and Futures Authority Limited and is registered in England with number 875947. The registered office of Singer & Friedlander is at 21 New Street, Bishopsgate, London, EC2M 4HR.
- (d) Singer & Friedlander has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.
- (e) KPMG Audit Plc has given and not withdrawn its written consent to the inclusion in this document of its report in the form and context in which it appears and has authorised the contents of that report for the purposes of Section 152(e) of the Financial Services Act 1986.
- (f) The Placing Price represents a premium of 15 per cent. over the nominal value of 20p per Ordinary Share.
- (g) No member of the Group owns any shares in the capital of Creighton's Naturally.
- (h) There are no arrangements under which future dividends are waived or are agreed to be waived.
- (i) The Company's bankers are Barclay's Bank PLC of Chatsworth House, 66/70 St Mary Axe, London EC3A 8BD.
- (j) The Company's legal advisers are W&J Burness, WS of 16 Hope Street, Charlotte Square, Edinburgh EH2 4DD.
- (k) The legal advisers to the Placing and Open Offer are Dibb Lupton Alsop of 6 Dowgate Hill, London EC2R 2SS.
- (l) No temporary documents of title are being issued in connection with the Placing and Open Offer. Definitive share certificates are expected to be issued no later than 23rd January 1997. Prior to despatch of definitive share certificates in respect of the New Ordinary Shares transfers will be certified against the register.

#### **19. Documents available for inspection**

Copies of the following documents may be inspected at the registered office of the Company and at the offices of Dibb Lupton Alsop, 6 Dowgate Hill, London EC4R 2SS during usual business hours on any weekday (excluding Saturdays and public holidays) from the date of this document up to and including 13th January 1997:

- (a) The Memorandum and Articles of Association of the Company;

- (b) The proposed new Articles of Association of the Company;
- (c) The published audited, consolidated accounts of the Group for the two years ended 31st March 1996;
- (d) A copy of the unaudited interim results dated 18th December 1996.
- (e) The Directors' service agreement referred to in paragraph 6(a) of this Part VI;
- (f) The contract referred to in paragraph 6(b) of this Part VI.
- (g) The material contracts referred to in paragraph 9 of this Part VI;
- (h) The consent letters, referred to in paragraph 18 of this Part VI;
- (i) A copy of this document.

Dated 18th December 1996



# CREIGHTON'S NATURALLY PLC

(Registered in England Number: 1227964)

## EXTRAORDINARY GENERAL MEETING OF THE COMPANY

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of the above Company will be held at the offices of Dibb Lupton Alsop, 125 London Wall, London EC2Y 5AE on the 14th January 1997 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as special resolutions:

1. "That subject to and conditionally upon but effective immediately prior to the admission of the New Ordinary Shares to be issued pursuant to the Placing and Open Offer (as such terms are defined in the prospectus dated 18th December 1996 to which this Notice is attached ("the Prospectus")) to the Official List of the London Stock Exchange Limited:
  - 1.1 the authorised share capital of the Company be increased from £1,200,000 divided into 6,000,000 ordinary shares of 20p each to £4,200,000 divided into 21,000,000 ordinary shares of 20p each by the creation of an additional 15,000,000 ordinary shares of 20p each, to rank *pari passu* in all respects with the existing ordinary shares of 20p each in the capital of the Company;
  - 1.2 the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to allot relevant securities (within the meaning of the said Section 80) of the Company up to an aggregate nominal value of £3,043,478.20 provided that this authority shall expire on the fifth anniversary of 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 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;
  - 1.3 without prejudice to any existing powers, the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) pursuant to the authority conferred upon them by Section 80 of the said Act by paragraph 1.2 of this resolution as if Section 89(1) of the said Act did not apply to any allotment of equity securities made in connection with the placing and open offer of equity securities up to a maximum nominal value of £3,043,478.20 pursuant to the Placing and Open Offer provided that this power shall expire on 9th January 1998 save that the directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby has not expired and so that all previous authorities of the directors pursuant to Section 95 of the said Act be and are hereby revoked;
2. "That articles of association in the form of the draft produced to the meeting and signed for the purpose of identification only by the Chairman be adopted as the new articles of association of the Company in substitution for and to the exclusion of all existing articles of association."
3. "That subject to confirmation by the Court, the amount standing to the credit of the Share Premium Account in the books of account of the Company of £3,297,000 be cancelled."

*Registered Office:*

Unit 1  
Water Lane Industrial Estate  
Storrington, Pulborough  
West Sussex RH20 3DP

By Order of the Board

**M. S. Thomson,**  
*Secretary*

Date: 18th December 1996

*Notes:*

- (1) A member of the Company entitled to attend and vote may appoint a proxy or proxies to attend and vote for him. A proxy need not be a member of the Company.
- (2) To be valid for the meeting, a proxy form (and any power of attorney or other authority under which it is executed or a notarially certified copy thereof) must be completed and lodged at Nothern Registrars Limited, Penistone Road, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0LA not less than 48 hours before the time appointed for the meeting. The completion and return of the form of proxy will not prevent a member who wishes to do so from attending and voting in person.