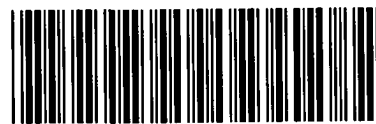


**Creightons Plc Annual Report 2019**

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## **Creightons Plc    Annual Report 2019**

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## Creightons Plc Annual Report 2019

### Financial highlights

- Revenue increased by 26.4% to £44.0m (2018: £34.8m).
- Operating profit increased by 77.4% to £2,900,000 (2018: £1,635,000).
- Operating profit margin of 6.6% (2018: 4.7%).
- Balance sheet remains strong after significant investment in working capital, product development and fixed assets to support organic growth.
- A tax credit of £22,000 relates to current and prior year credit of £539,000 in respect of R&D relief claimed.
- The profit for the year has increased by £1,659,000 to £2,891,000 (2018: £1,232,000).
- The profit increase has improved the fully diluted earnings per share to 4.16p (2018: 1.85p).
- Proposed final dividend 0.40p per ordinary share (2018: 0.23p).

### Operational highlights

- Sales growth momentum maintained:
  - Sales of retailer own label products increased by 42.0%
  - Contract sales growth by 31.7%
  - Our own branded sales have grown by 1.4%, including export sales growth of 8.1%
  - Total overseas sales have increased by 9.0% to £5m (2018: £4.6m).
- Focus on transitioning brands into higher price point and mass/"masstige" retail distribution listings with wider distribution of the Curl Company and Feather & Down with post year end listings for BAMbeautiful.
- Cash generated from operations has been invested in working capital, product development and plant & equipment to support the business growth.
- Tube and bottle filling capacity increased by 20% and 33% respectively following the purchase of two new high capacity production lines.
- Invested in far east sourcing structure to access lower cost components.
- Outsourced the warehousing and distribution of the majority of our finished goods to a third-party logistics provider.
- Both Feather & Down and BAMBeautiful shortlisted for upcoming prestigious beauty awards to be announced later this year.

## Creightons Plc Annual Report 2019

### Chairman's statement

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

#### Sales

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

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

#### Margin and cost of goods

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

#### Distribution costs and Overheads

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

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

#### Research and Development

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

#### Operating profit

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

#### Tax

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

#### Profit after tax

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

#### Earnings per share

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

## **Creightons Plc Annual Report 2019**

### **Chairman's statement (Continued)**

#### **Working capital**

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

#### **Share Options**

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

#### **Dividend**

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

The Board believes that this year's sales of £44,030,000, profit after tax of £2,891,000 and our strong balance sheet places the Group in a good position to take advantage of any opportunities that may arise.

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

**William McIlroy**  
**Chairman, 25 June 2019**

## **Creightons Plc Annual Report 2019**

### **Group strategic report**

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

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

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

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

The strategic report discusses the following areas:

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

### **The business model**

The principal activity of the Group is the development, marketing and manufacture of toiletries and fragrances which includes the development of brands. A review of the operations of the Group during the year and current developments are referred to in the Chairman's statement on pages 3 - 4.

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

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

#### **History**

Creightons Plc was registered in 1975 to continue the business of manufacturing and marketing toiletries made exclusively from natural products first established in 1953. It created a number of proprietary brands, although it focused mainly on private label and contract manufacturing. It was first listed on the London Stock Exchange in 1987. The Group consolidated its manufacturing at the Potter and Moore Innovations plant in Peterborough following the acquisition of the Potter and Moore business in 2003 and disposal of the Storrington site in 2005. The Group acquired the business and assets of the Broad Oak Toiletries site in Tiverton in February 2017 further increasing the Group's sales reach in terms of product and premium customers and adding to manufacturing capability and capacity.

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

#### **Operating Environment**

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

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

Consumers purchase our products through a range of retail and internet outlets, from high quality department stores to low-cost discounters, with the high street supermarkets and drug stores in the middle. The majority of the Group's products are sold in the UK, although increasing amounts are sold overseas, either direct to retailers or through distributors.

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

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

## Creightons Plc Annual Report 2019

### Group strategic report (continued)

#### Recent developments

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

- our own branded business which develops, markets, sells and distributes products we have developed and own the rights to or brands we have licensed;
- private label business which focuses on high quality private label products for major high street retailers and supermarket chains and
- contract manufacturing business, which develops and manufactures products on behalf of third-party brand owners. This stream includes the more premium customers of Potter & Moore (Devon) Ltd.

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

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

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

#### Position of Group business

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

#### Current operations

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

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

### Strategy and objectives

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

- Expand our customer base across all three sales streams (private label, contract and brands) within the UK and increasingly overseas.
- Continuously review, develop and enhance our product offering to meet the consumers' requirement for high quality excellent value products and thereby help our customers grow their businesses.
- Ensure that we exceed our customers' expectations for first rate quality products and excellent customer service and use this to expand opportunities within our existing customer base.
- Manage our gross and net margins through efficient product sourcing, continuously improving production efficiencies, asset management and cost control.
- Make fully appraised investment in brands which will help us maintain and grow our business and create brand value which can crystallise through disposals to third parties.

## Creightons Plc Annual Report 2019

### Group strategic report (continued)

#### Key performance indicators

##### Management and monitoring of performance

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

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

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

##### Financial key performance indicators

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

There were 4 incidents involving employees or contractors on the Group's sites which were required to be reported to the Health & Safety Executive during the year (2018: 3). None of these resulted in adverse HSE reports or recommendations. All those involved have fully recovered and were able to return to work with no long-term effects after their incident. The Group continuously monitors and revises its operating, training and monitoring procedures as appropriate to ensure that the safety of employees and contractors is maintained to a high standard, and ensures there is no deterioration in compliance with these standards.

#### Principal risks and uncertainties

##### Risks

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

It also monitors those risks not directly or specifically financial, but capable of having a major impact on the business's financial performance if there is any failure, such as product contamination and manufacture outside specification, maintenance of satisfactory levels of customer and consumer service, accident ratios, failure to meet environmental protection standards or any of the areas of regulation mentioned above. Further details of financial risks are set out in Note 21.

##### Capital structure, cash flow and liquidity

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

##### Competitive environment

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



## Creightons Plc Annual Report 2019

### Group strategic report (continued)

#### Principal risks and uncertainties (continued)

##### Quality

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

##### Research and development

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

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

##### Brexit

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

#### Corporate and social responsibility

The Group is mindful of its wider responsibilities as a significant local employer in both its principal locations and of the contribution it makes to the local economy both where it and its suppliers are based.

##### Environment

The Group has formally adopted an Environmental Policy, which requires management to work closely with local environmental protection authorities and agencies, and, as a minimum, meet all environmental legislation.

##### Employees

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

The table below shows the number of employees by gender in the Group as at 31 March 2019

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

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

## Creightons Plc Annual Report 2019

### Group strategic report (continued)

#### Corporate and social responsibility (continued)

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

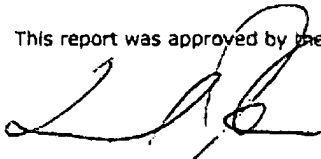
##### Disabled persons

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

##### Going concern

The directors are pleased to report that the Group continues to meet its debt obligations and expects to operate comfortably within its available borrowing facilities. The directors have therefore formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being at least twelve months from the date of this report. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

This report was approved by the board of directors on 25 June 2019 and signed on its behalf by:



Bernard Johnson  
Managing Director

## Creightons Plc Annual Report 2019

### Directors' report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2019. The corporate governance statement set out on pages 15 to 17 forms part of this report.

The Strategic Report on pages 5 to 9 provides a fair review of the Group's business for the year ended 31 March 2019 as well as explaining the Group's strategy and objectives, its key performance indicators for monitoring the business, the Group's principal risks and uncertainties that could impact on the Group and its potential future developments.

On 21 June 2019, the Group acquired for £500,000 the skincare brand equity including goodwill and intellectual property of Balance Active Formula plus existing stocks. The acquisition add to the Group's growing range of beauty and well-being products.

### Dividends

The Director's propose a final dividend of 0.40 pence per ordinary share subject to approval at the AGM (2018: 0.23p). The 2018 final dividend of 0.23p per ordinary share and an interim 2019 dividend of 0.15 pence per ordinary share were paid during the year (2018: 0.38p). This gives a full dividend of 0.55 pence per ordinary shares (2018: 0.38p) for the year ended 31 March 2019.

### Greenhouse gas (GHG) emissions

GHG emissions data for the year from 1 April to 31 March		
	Global tonnes of Co2e	
	2019	2018
Combustion of fuel and operation of facilities	670	606
Electricity, heat, steam and cooling purchased for own use	583	713
<b>Total</b>	<b>1,253</b>	<b>1,319</b>
<i>Tonnes of Co2e per £m of cost of sales</i>	<i>46.9</i>	<i>64.0</i>

We have reported on all of the emissions sources required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended in August 2013. The reporting boundary used for the collation of the above data is consistent with that used for consolidation purposes in the financial statements. We have used GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Governments GHG Conversion Factors for Company Reporting 2014 to calculate the above disclosures.

The key sources for emissions are gas and electricity. We have not included Co2e emissions from Group employees' travel which we consider to be immaterial.

The Group set a target of reducing tonnes of Co2e per £m of cost of sales by 5% (based on the figures reported in the year ended 31 March 2013 of 110.5 tonnes of Co2e per £m of cost of sales) over the 5 years ending 31 March 2018, which was achieved. The target for the next five years to 31 March 2023 will be to reduce tonnes of Co2e per £m of cost of sales by 20%. This will be achieved by ensuring that activities are monitored with the aim of reducing waste and that capital expenditure plans take into consideration the impact on the Group's consumption of Co2e.

### Capital structure

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

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

Details of the employee share schemes are set out in note 27.

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

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of the directors are governed by the Companies Act 2006, the Articles of the Company and are detailed in the corporate governance statement on pages 15 to 17. Directors are required to retire upon the third anniversary of their last election.

Under the terms of resolution 12 at the 2018 AGM, the Company has the authority to issue 3,031,907 ordinary shares, being 5% of the issued share capital at that time. This authority expires after 15 months from its date of adoption (30 August 2018) or until the next AGM if sooner unless renewed. The directors will propose a resolution renewing this power based upon the new issued share capital.

## Creightons Plc Annual Report 2019

### Directors' report (continued)

#### Capital structure (continued)

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

#### Directors

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

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

#### William McIlroy – Chairman and Chief Executive

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

#### Bernard Johnson - Managing Director

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

#### Philippa Clark – Global Sales & Marketing Director

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

#### Martin Stevens – Deputy Managing Director

Mr Stevens is a Chartered Chemist and has worked in the cosmetics industry for 32 years with extensive experience across the personal care and household sector in Research & Development, Quality Assurance, Production and Procurement. Martin has been Technical Director at Potter & Moore Innovations Ltd (the Company's principal trading business) and Creightons Plc for the past 14 years. He has previously been Technical Director of Norit Body Care Toiletries, Technical Director at the manufacturing division of AAH Pharmaceuticals Ltd, Chief Chemist at Columbia Products Co Ltd after initially entering the industry with L'Oreal working with brands such as Lancôme and Cacharel. Martin was appointed as Group Deputy Managing Director when he joined the Board in 2015.

#### Paul Forster - Group Finance & Commercial Director

Mr Forster was appointed Group Finance & Commercial Director when he joined the Board in 2015, a new role with responsibility encompassing finance, manufacturing, logistics and procurement. Paul has been with the Potter & Moore Innovations business for 24 years, primarily working as Chief Financial Officer but also including spells overseeing manufacturing. Previously he was Finance Director of Beauty International Fragrance Ltd (BIF), who distributed the Coty fragrance range throughout Europe and the Far East. Prior to joining BIF Paul qualified as a Chartered Accountant with Touche Ross.

#### Mary Carney – Senior Non-executive Director

Ms Carney is a freelance tax consultant and a former senior tax partner with Grant Thornton, Chartered Accountants, Belfast. She is also a member of the Chartered Institute of Taxation, and prior to joining Grant Thornton, was a tax inspector. Ms Carney has been a director of the Company since November 1999.

#### William Glencross - Non-executive Director

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

## Creightons Plc Annual Report 2019

### Directors report (continued)

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

Mr O'Shea has been the company secretary for over 20 years and a director since 2001. A maths & chemistry graduate, he has a background in the toiletries and chemicals sectors having held senior financial positions in a number of world-wide businesses including Proctor & Gamble, Scott Paper and Omya Pluss-Stauffer. Mr O'Shea is a CIMA qualified management accountant, and he is currently CFO or finance director with several privately-owned SMEs as well as an investment management company in the City.

#### Directors indemnities

There are no director indemnities.

#### Directors' insurance

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

#### Directors standing for re-election

Under the terms of the Articles, directors are required to retire on the third anniversary of their last election. Mary Carney, William Glencross and Nick O'Shea retire at the next annual general meeting at the end of their three-year term of office and, being eligible to do so, offer themselves for re-election.

#### Substantial shareholdings

At 31 March 2019 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following substantial interests, being 3% or more of the ordinary shares in issue:

Shareholder	Number of shares	% held
Mr WO McIlroy (including Oratorio Developments Ltd)	16,219,275	25.93%
Mr & Mrs B Geary	6,543,404	10.46%
Mr BJM Johnson	4,787,844	7.65%
Messrs S & A Chandaria	3,500,000	5.60%
The Estate of Mr T Amies	2,580,000	4.12%
Mr D Barry	2,500,000	4.00%
Mr B Dale	2,451,740	3.92%

During the period between 31 March 2019 and 25 June 2019 Mr BJM Johnson exercised options of 600,000 ordinary shares of 1p each at 5.50p per share on 1 May 2019 increasing his holding to 8.54% and then transferred them at nil value to members of his wider family reducing his holding to 7.58% and this was notified on the RNS as required under chapter 5 of the Disclosure and Transparency Rules.

The Company has received no other information requiring such notifications under chapter 5 of the Disclosure and Transparency Rules.

## Creightons Plc Annual Report 2019

### Directors report (continued)

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

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

1. To receive and consider the Group's financial statements and reports of the directors and auditor for the year ended 31 March 2019.
2. To receive and approve the directors' remuneration report for the year ended 31 March 2019.
3. To approve the directors' remuneration policy as detailed in pages 18 to 23 of the directors' remuneration report.
4. To re-elect Mr Nicholas O'Shea, who is retiring by rotation under the provisions of Article 76 of the Articles of Association, who, being eligible, offers himself for re-election as a director of the company.
5. To re-elect Mr William Glencross, who is retiring by rotation under the provisions of Article 76 of the Articles of Association, who, being eligible, offers himself for re-election as a director of the company.
6. To re-elect Ms Mary Carney, who is retiring by rotation under the provisions of Article 76 of the Articles of Association, who, being eligible, offers herself for re-election as a director of the company.
7. To approve the proposed final dividend of 0.40 pence per share.
8. To re-appoint BDO LLP as auditor and to authorise the directors to determine their remuneration.
9. To give authority to the directors to allot shares pursuant to Section 551 of the Companies Act 2006. This authorises the company for a period of up to 15 months, or until the next AGM if sooner, to allot 1p Ordinary Shares up to an aggregate nominal value of £210,487.14, being a further one third of the company's present issued share capital as a rights issue.
10. As a special resolution, to grant a limited disapplication of the statutory pre-emption rights contained in Section 570 of the Companies Act 2006. This authorises the Company for a period of up to 15 months, or until the next AGM if sooner, to allot 1p ordinary shares up to an aggregate nominal value of £31,573.07, being 5% of the company's present issued share capital, without first offering them as a rights issue to existing shareholders.
11. As a special resolution, to give a limited power to the company to purchase its own shares. This authorises the company for a period of up to 15 months, or until the next AGM if sooner, to purchase 1p ordinary shares up to a maximum aggregate nominal value of £31,573.07, being 5% of the Company's present issued share capital, at no more than 105% of the average of the middle market quotations for ordinary shares for the five business days prior to the date of purchase and the minimum price of 1p.

The resolution approved at the AGM on 30 August 2018 relating to the authorisation of the Company to purchase 1p ordinary shares up to a maximum 5% of the company's issued share capital at that date remains in place and is unused.

## **Creightons Plc Annual Report 2019**

### **Directors report (continued)**

#### **Directors confirmations**

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

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

This confirmation is given and should be interpreted in accordance with the provisions of 5418 of the Companies Act 2006.

#### **Viability statement**

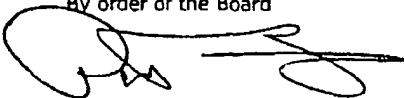
The directors have assessed the viability of the Group for the period of 3 years. The board believe this time period is appropriate having consideration for the Group's principal risks and uncertainties (outlined in the Strategic Report on pages 7-8) to production efficiencies, cash position and competitive position relating to sales as well as costs and purchases.

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

#### **Auditor**

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place. A resolution will be proposed at the annual general meeting to reappoint BDO LLP as auditor for the next financial year.

By order of the Board



Mr Paul Forster  
*Group Finance & Commercial Director*

25 June 2019

## Creightons Plc Annual Report 2019

### Corporate governance statement

#### Compliance

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

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

- No formal training programme is in place specifically for Non-executive Directors.
- The role of the Chairman and Chief Executive are combined.
- The non-executive directors are not limited to a period of office.
- There is only one director considered by the board to be independent, and she has served on the board for more than 9 years.

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

#### The Composition of the Board

Details of all the directors are set out below:

William McIlroy	Executive Chairman and Chief Executive
Bernard Johnson	Managing Director
Nicholas O'Shea	Group Company Secretary and Non-executive Director
Mary Carney	Senior Independent Non-executive Director
William Glencross	Non-executive Director
Philippa Clark	Global Sales & Marketing Director
Martin Stevens	Deputy Managing Director
Paul Forster	Group Finance & Commercial Director

#### The Role of the Board

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

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

The Board considers it would be difficult to replace the existing Non-executive Directors with persons of similar competence, experience and understanding without incurring significant additional costs both in terms of executive search and then both the fees such new Non-executive Directors would expect and the cost of training them. Consequently, it feels that it remains appropriate for the existing Non-executive Directors to be nominated for re-election when their terms expire under the company's articles.

The Board has also considered the position of independence of the Non-executive Directors, and considers that only Ms Carney is 'independent' in the context of corporate governance. She does not fulfil tasks outside of those delegated by virtue of her role as a Non-executive Director (i.e. considering the directors remuneration, director contracts, accounts and corporate governance), she does not complete any other project work in respect of the company and she does not work in the industry. In line with the Company's policy of rewarding employees with share options for their contribution to the Company's past performance and provide incentive of continued commitment, all the Non-executive Directors' were included in the last grant of share options. The Company does not consider this jeopardises or compromises in any way Ms Carney's status as an independent director.

The Board operates a formal process of performance evaluation with the Chairman and Remunerations Committee regularly reviewing the performance of all members of the Board.

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



## Creightons Plc Annual Report 2019

### Corporate governance statement (continued)

The directors have met as a full board on 10 occasions during the year, including meetings by telephone. The attendance at meetings held during the year to 31 March 2019 for each of the directors is as follows:

Director	Board meetings	Remuneration Committee	Audit Committee
William McIlroy	9	-	-
Bernard Johnson	10	-	-
Nicholas O'Shea	8	2	2
Mary Carney	9	2	2
William Glencross	9	-	-
Philippa Clark	10	-	-
Martin Stevens	9	-	-
Paul Forster	9	-	-

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

### Board Committees

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

### Nomination Committee

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

### Remuneration Committee

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

### Directors' remuneration

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

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

Full details of directors' remuneration, shareholdings and share options are noted in the Directors' Remuneration Report on pages 18 to 23.

## Creightons Plc Annual Report 2019

### Corporate governance statement (continued)

#### Internal control

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

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

The key procedures designed to provide effective internal controls are:

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

The Group does not have an internal audit function. However the Board periodically reviews the need for such a function. The current conclusion is that this is not necessary given the scale and complexity of the Group's activities.

The Board has reviewed and is satisfied with the effectiveness of the internal controls in operation and this process will continue.

#### Audit Committee

The Audit Committee consists of Mary Carney who acts as chair and Nicholas O'Shea. Its role is to:

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

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

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

In respect of the present auditor, BDO LLP:

- In considering the appointment or re-appointment of the audit firm, the Audit Committee considers the quality of the work the audit firm produces, the degree of investigation required into the transactions for a Group of our size and complexity, and the value for money offered by the audit firm. The committee considers the auditor's knowledge of the Group business and systems gained through experience has contributed to the effectiveness of the audit process.
- The current audit partner is Paul Fenner.
- The last time a tender process was undertaken was in 2011.

On 22 February 2019, BDO LLP was appointed auditor for the Group following BDO LLP's merger of Moore Stephens LLP.

#### Relations with shareholders

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

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

## Creightons Plc Annual Report 2019

### Directors' remuneration report

This report is on the activities of the Remuneration Committee for the year to 31 March 2019. It sets out the remuneration policy and remuneration details for the Executive and Non-executive Directors of the company. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") as amended in August 2013.

The report is split into three main areas:

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

The policy report was subject to a binding shareholder resolution at the 2018 Annual General Meeting and the policy took effect for the financial year beginning on 1 April 2018. The annual report on directors' remuneration provides details on remuneration in the period and some other information required by the Regulations. It will be subject to an advisory shareholder vote at the 2019 Annual General Meeting.

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

### Statement by the chair of the Remuneration Committee

The directors' remuneration report has been prepared on behalf of the Board by the Remuneration Committee. The current members of the Remuneration Committee are Mary Carney, who is the Chairman of the Committee and the Senior Non-executive Director and considered by the board to be independent, and Nicholas O'Shea who is also a Non-executive Director.

The Remuneration Committee determines the remuneration of each Executive Director. During the year ended 31 March 2019 the Remuneration Committee agreed changes to the salaries of the Executive Directors in line with other employees.

It is envisaged that the remuneration components for Executive Directors for the year ended 31 March 2020 will be similar to those in place for the year ended 31 March 2019 as shown in the 'single figure' tables shown below.

### Annual report on directors' remuneration

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

The tables below represent the directors' remuneration for the years ended 31 March 2019 and 31 March 2018. These emoluments are normally paid in the year except for the bonus payments which are paid following the approval of the financial statements.

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

Director	Note	2019				2018			
		Salary and fees	Annual bonuses	Pension	Total	Salary and fees	Annual bonuses	Pension	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
WO McIlroy	1	25	150	-	175	-	85	-	85
BJM Johnson	2	92	150	-	242	92	85	-	177
P Clark		86	10	4	100	81	9	3	93
M Stevens		81	12	8	101	77	9	7	93
P Forster		80	11	7	98	76	9	6	91
<b>Total</b>		<b>364</b>	<b>333</b>	<b>19</b>	<b>716</b>	<b>326</b>	<b>197</b>	<b>16</b>	<b>539</b>

## Creightons Plc Annual Report 2019

### Directors' remuneration report (continued)

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

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

Director	Note	2019			2018		
		Salary and fees	Taxable benefit	Total	Salary and fees	Taxable benefit	Total
		£000's	£000's	£000's	£000's	£000's	£000's
MT Carney		15	-	15	20	-	20
NDJ O'Shea	3	16	-	16	20	-	20
W T Glencross		15	2	17	20	1	21
<b>Total</b>		<b>46</b>	<b>2</b>	<b>48</b>	<b>60</b>	<b>1</b>	<b>61</b>

#### Note

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

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

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

#### Taxable benefits

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

#### Payments for loss of office

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

#### Share options

During the year Mr M Stevens was the only director to exercise share options, exercising 400,000 (2018: no director exercised share options). The directors were awarded share options as shown in the below table that can be exercised between 2021-2028 at an exercise price of 26.80p (2018: no share options were awarded). There is a vesting period of over 3 years. The share options were awarded to the directors as part of the Company's on-going compensation and remunerations plans as a motivation for continuing to deliver success to the Group, its shareholders and employees. There are no service conditions associated with the award of the share options. There was £32,000 expense relating to this award in the year ended 31 March 2019. This is not included in the Directors' remuneration table above.

#### Directors' shareholdings

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

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

## Creightons Plc Annual Report 2019

### Directors' remuneration report (continued)

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

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

Market price		
At 31 March 2019	Lowest during period	Highest during period
29.50p	19.00p	33.50p

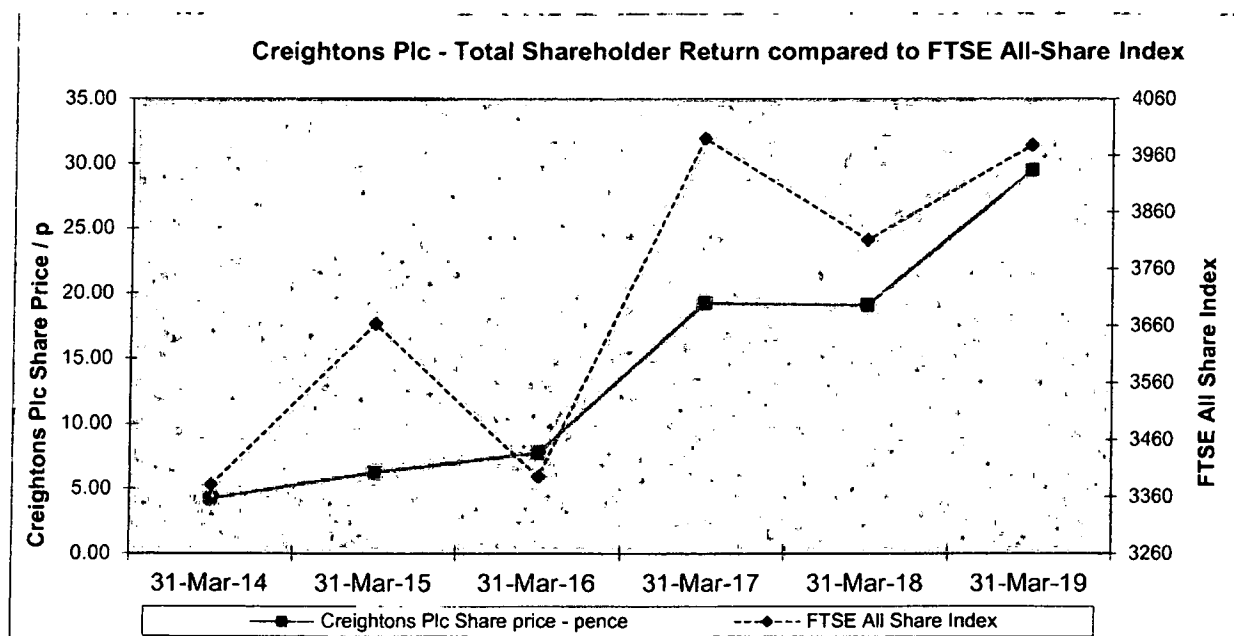
Mr McIlroy's holding noted above includes 14,450,000 (2018: 14,450,000) shares held in the name of Oratorio Developments Ltd, a private company of which Mr McIlroy is a Director and controlling shareholder.

During the period between 31 March 2019 and 25 June 2019 Mr BJM Johnson exercised options of 600,000 ordinary shares of 1p each at 5.50p per share on 1 May 2019 increasing his holding to 8.54% and then transferred them at nil value to members of his wider family.

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

### Performance graph and CEO remuneration table

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



## Creightons Plc Annual Report 2019

### Directors' remuneration report (continued)

#### Table of Historical Data

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

Year	Single figure of total remuneration £000's	Annual bonus pay-out against maximum %
2019	242	100%
2018	177	100%
2017	170	100%
2016	156	100%
2015	139	100%

#### Percentage change in remuneration of director undertaking the role of Chief Executive Officer

The table below shows the percentage increase in remuneration of the highest paid director and the Group's employees as a whole between the years ended 31 March 2018 and 31 March 2019.

	Percentage increase in remuneration in 2019 compared with remuneration in 2018	
	Highest paid director	Employees
Salary and fees	0%	7.0%
All taxable benefits	n/a	0.0%
Annual bonus	76%	(36.0%)
<b>Total</b>	<b>36.7%</b>	<b>3.7%</b>

#### Relative importance of spend on pay

The table below shows the total expenditure of the Group for all employees compared to retained profits and distributions to shareholders for the years ended 31 March 2019 and 31 March 2018 and the year on year change.

	Year ended 31 March 2019 £000's	Year ended 31 March 2018 £000's	Change %
Employee costs	10,794	9,178	17.6%
Profit for the year	2,891	1,232	134.7%
Dividends paid	233	230	1.3%

#### Voting at general meeting

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

The following table sets out actual voting in respect of the approval of the Directors' Remuneration report and policy in respect of the year ended 31 March 2018:

Number of votes cast for	% of votes cast for	Number of votes cast against	% of votes cast against	Total votes cast	Number of votes cast withheld
24,243,387	99.99%	3,605	0.01%	24,246,992	Nil

#### Policy report

##### Remuneration Committee

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

## Creightons Plc Annual Report 2019

### Directors' remuneration report (continued)

#### Policy on directors' remuneration

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

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

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

#### Salary and benefits

Executive Directors' salary and benefits packages are determined by the Committee on appointment or when responsibilities or duties change substantially, and are reviewed annually. The last review was undertaken during March 2019 and three of the executive director's received pay increases and bonuses in line with other employees of the Group. The Committee considers that improved performance should be recognised by achievement of performance bonuses.

#### Directors' performance bonuses

Both Mr McIlroy and Mr Johnson have contracts which provide for bonuses should the Group achieve profitability, and Mr McIlroy's also provides for a bonus should a complete or partial sale of the Group's toiletries business be achieved. The profit criterion was met in 2019, and as a consequence, provision for payment of the profit related performance bonus has been made in the financial statements, and will be paid as required by the contracts within one month of the approval and publication of these financial statements.

The contract for Mr McIlroy's services as a director provides for a bonus to be paid by the company to Oratorio Developments Ltd in respect of the Group's net profits before tax at the rate of 12.5% in respect of net profits up to £50,000, 7.5% of net profits between £50,001 and £100,000, and 5% of net profits in excess of £100,000. A further bonus of 10% of the net sale proceeds is also payable to Oratorio Developments Ltd if the company sells the whole of the toiletries business undertaken by the company at 16 January 2002 for a price in excess of £1,500,000, or if the company sells a part of that toiletries business for a price in excess of £500,000 and the net book value of the assets disposed of is less than one-third of the value of the net assets of the company.

The contract for Mr Johnson's services as a managing director provides for a performance bonus to be paid by the company to Carty Johnson Limited in respect of the Group's net profits before tax at the rate of 12.5% in respect of net profits up to £50,000, 7.5% of net profits between £50,001 and £100,000, and 5% of net profits in excess of £100,000.

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

#### Share option schemes

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

#### Service contracts

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

## Creightons Plc Annual Report 2019

### Directors' remuneration report (continued)

#### Service contracts (continued)

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

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

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

Non-executive Directors may not participate in any personal performance bonus, and are not eligible for pension contributions. The fees paid for Non-executive Directors consist of a flat annual fee based on the involvement each is anticipated to be required to commit to the Group, and both the time commitments and fee basis are reviewed annually. Any additional time commitments over these are paid on a pro rata per diem basis. The fees paid for the chairman also include an element of profit-related bonus based on the performance of the Company and of sales value related bonus for the disposal of all or parts of the toiletries business.

#### Approval

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

The Directors' Remuneration Report was approved by the Board of Directors on 25 June 2019 and signed on its behalf by:



Mr Paul Forster  
Group Finance & Commercial Director



## Creightons Plc Annual Report 2019

### Directors' responsibilities statement

The directors whose names and functions are set out on page 60 of this document are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

UK company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of International Accounting Standards regulation and have also chosen to prepare the parent company financial statements under IFRS as adopted by the European Union. Under UK company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act 2006 and Article 4 of International Accounting Standards regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' responsibility statement pursuant to DTR4 – Periodic Financial Reporting

Each of the directors confirms that to the best of their knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that they face; and
3. the report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

## Creightons Plc Annual Report 2019

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

We have audited the financial statements of Creightons Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2019 which comprise the consolidated and company income statement, consolidated and company statement of comprehensive income, consolidated and company balance sheet, consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and the related notes to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and Parent Company financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group and Parent Company's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### Basis for opinion

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

### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 7 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 7 in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 9 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 24 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

### Key audit matters

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

### Revenue recognition

The Group recognises revenue from the sale of goods (note 3) when control has been transferred to the customer.

There is a risk that revenue due to the Group has been overstated in order to improve the performance and position of the Group to meet expectations of stakeholders, especially for transactions around the reporting date. This is effectively the risk that the revenue reported is inaccurate, inflated or has been recognised in the wrong period.

In response to the key audit matter:

- We tested transactions recorded in the nominal ledger through to sales invoices, order forms and goods dispatched notes, to check that revenue had been appropriately recorded at the right time;
- We tested credit notes issued after the reporting date to gain assurance that those relating to sales made in the year had been accounted for;
- For material sales made around the reporting date, we assessed that they had been recorded in the correct period through review of invoices, order forms and date of dispatch.
- We performed analytical procedures comparing the actual revenue to prior year results and forecasts, including an assessment of transactions with significant counterparties.
- We tested cash received post year end, to assess whether revenue recognised, but not settled at the reporting date, was genuine.
- We reviewed journals associated with revenue to determine that any entries outside the usual invoicing process were supportable.

Based on the work performed we did not identify any issues with revenue recognition and consider that it has been recognised in accordance with the Group's revenue recognition accounting policy.

## Creightons Plc Annual Report 2019

### Independent auditor's report to the members of Creightons plc (Continued)

#### *Valuation of Inventory*

The Group records inventories at the lower of cost or net realisable value (note 3).

There is a risk that inventory is overstated due to managements judgement on potentially obsolete, damaged and slow moving items in determining the net realisable value.

In response to the risk:

- For a sample of inventory assets, we compared the valuation at the reporting date to purchase cost and sale proceeds around the reporting date to check inventory is carried at the lower of cost and net realisable value;
- We attended the main year end stocktakes and as part of this we reviewed the stock items for potential damage and any other indication of obsolescence that might indicate that a provision would be required.
- We critically assessed the principles and integrity of the inventory provision model;
- In addition, we reviewed the outcome of the prior year inventory provisions based on the actual sales and use during the current year, of inventory items previously provided against.
- We considered management's judgement on the level of provisioning to be reasonable and considered the disclosures in the financial statements to be appropriate.

#### **Our application of materiality**

We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of misstatements and omissions on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the level of misstatement, including omissions that could influence the economic decisions of a reasonably knowledgeable user of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined the materiality for the Group financial statements as a whole to be £143,000 (2018: £80,500), calculated with reference to a benchmark of 5% of profit before tax. In addition, we set a Parent Company materiality of £54,000 (2018: £76,600) based on net assets of which it represents 2% (2018: 3%). This is the threshold above which missing or incorrect information in financial statements is considered to have an impact on the decision making of users.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 67.5%, 55% and 45% of the materiality for the Group financial statements as a whole for areas of basic, medium and high risk assertions, respectively.

Whilst materiality for the financial statements as a whole was £143,000, each significant component of the Group was audited to a lower level of materiality which is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes used during the audit. Component materiality ranged from £99,000 to £143,000.

We reported to the Audit Committee all potential adjustments in excess of £7,250 being 5% of the materiality for the financial statements as a whole, in addition to other identified misstatements that warranted reporting on qualitative grounds.

#### **An overview of the scope of our audit**

The Group operates through four trading subsidiary undertakings. Two of these, Potter & Moore Innovations Limited and Potter & Moore Devon Limited, were considered to be significant components for the purposes of the Group financial statements. The financial statements consolidate these entities together with a number of dormant subsidiary undertakings as set out in note 17. In establishing our overall approach to the Group audit, we determined the type of work that needed to be performed in respect of each subsidiary. This consisted of auditing the financial information of the significant components of the Group, which were subject to a full scope audit.

As part of planning our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. As part of this assessment we allocate performance materiality to determine our audit scope for the Group.

We considered the risk of the financial statements being misstated or not prepared in accordance with the underlying legislation or standards. We then directed our work toward areas of the financial statements which we assessed as having the highest risk of containing material misstatements.

We tested and examined information using both analytical procedures and tests of detail, to the extent necessary to provide us with a reasonable basis to draw conclusions. These procedures gave us the evidence that we need for our opinion on the Group's financial statements as a whole and, in particular, helped mitigate the risks of material misstatement mentioned above.

We also documented and reviewed the Group's systems, primarily to confirm that they form an adequate basis for the preparation of the financial statements, but also to identify the controls operated to ensure the completeness and accuracy of the data.

#### *Extent to which the audit is capable of detecting irregularities*

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

As part of the audit we considered the Group's compliance laws and regulations that have a direct impact on the financial statements and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

## Creightons Plc Annual Report 2019

### Independent auditor's report to the members of Creightons plc (Continued)

#### An overview of the scope of our audit (continued)

In particular:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and Parent Company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, FRS 101, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being in relation to its production of pharmaceuticals.
- We gained an understanding of how the Group and Parent Company are complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, and review of any correspondence received from regulatory bodies.
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We considered the controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those controls. Where the risk of fraud was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business and focused testing, as referred to in the key audit matters section above.

#### Other information

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

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

We have nothing to report in this regard. In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 24** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 17** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee / the explanation as to why the annual report does not include a section describing the work of the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 15 to 17** – the parts of the Directors' statement required under the Listing Rules relating to Group's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

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

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the financial statements and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Creightons Plc Annual Report 2019

### Independent auditor's report to the members of Creightons plc (Continued)

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

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group and Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or a corporate governance statement has not been prepared by the Group.

#### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

#### Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Directors on 4 February 2019 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. We were originally appointed by the Directors of the Parent Company in 2000.

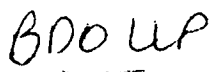
The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group and Parent Company in conducting our audit.

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

#### Use of our report

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



Paul Fenner, (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

Date: 25 June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Creightons Plc Annual Report 2019

## Consolidated income statement

		Year ended 31 March 2019	Year ended 31 March 2018
	Note	£000	£000
Revenue	5, 6	44,030	34,810
Cost of sales		(26,690)	(20,660)
Gross profit		17,340	14,150
Distribution costs		(2,204)	(1,479)
Administrative expenses		(12,236)	(11,036)
Operating profit	7	2,900	1,635
Finance costs	10	(31)	(26)
Profit before tax		2,869	1,609
Taxation	11	22	(377)
Profit for the year from continuing operations attributable to the equity shareholders of the parent company		2,891	1,232

## Dividends

		Year ended 31 March 2019	Year ended 31 March 2018
	Note		
Paid in year (£000)	12	233	230
Paid in year (pence per share)	12	0.38p	0.38p
Proposed (£000)		253	139
Proposed (pence per share)		0.40p	0.23p

## Earnings per share

		Year ended 31 March 2019	Year ended 31 March 2018
	Note		
Basic	13	4.69p	2.03p
Diluted	13	4.16p	1.85p

## Consolidated statement of comprehensive income

		Year ended 31 March 2019	Year ended 31 March 2018
		£000	£000
Profit for the year		2,891	1,232
Exercise of derivatives		-	37
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations		-	9
Other comprehensive income for the year		-	46
Total comprehensive income for the year attributable to the equity shareholders of the parent		2,891	1,278

## Creightons Plc Annual Report 2019

### Company income statement

		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
	Note		
Revenue		-	-
Income from subsidiary		233	230
Finance income	9	-	5
Finance costs	10	-	(5)
Profit for the year attributable to the equity shareholders		233	230

### Company statement of comprehensive income

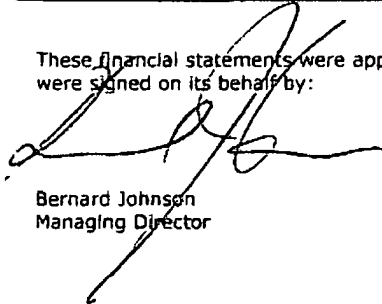
		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Profit for the year		233	230
Total comprehensive income for the year		233	230

# Creightons Plc Annual Report 2019

## Consolidated balance sheet

		31 March 2019	31 March 2018
	Note	£000	£000
<b>Non-current assets</b>			
Goodwill	14	331	331
Other intangible assets	15	418	349
Property, plant and equipment	16	2,363	1,832
		<b>3,112</b>	<b>2,512</b>
<b>Current assets</b>			
Inventories	18	8,015	5,499
Trade and other receivables	19	8,280	7,667
Cash and cash equivalents	20	349	968
		<b>16,644</b>	<b>14,134</b>
<b>Total assets</b>		<b>19,756</b>	<b>16,646</b>
<b>Current liabilities</b>			
Trade and other payables	22	6,339	6,260
Obligations under finance leases	23	40	-
Borrowings	24	732	747
		<b>7,111</b>	<b>7,007</b>
<b>Net current assets</b>		<b>9,533</b>	<b>7,127</b>
<b>Non-current liabilities</b>			
Deferred tax liability	33	25	34
Obligations under finance leases	23	154	-
		<b>179</b>	<b>34</b>
<b>Total liabilities</b>		<b>7,290</b>	<b>7,041</b>
<b>Net assets</b>		<b>12,466</b>	<b>9,605</b>
<b>Equity</b>			
Share capital	25	625	607
Share premium account		1,329	1,262
Other reserves	26	25	25
Retained earnings		10,487	7,711
<b>Total equity attributable to the equity shareholders of the parent company</b>		<b>12,466</b>	<b>9,605</b>

These financial statements were approved by the board of directors and authorised for issue on 25 June 2019. They were signed on its behalf by:

  
Bernard Johnson  
Managing Director

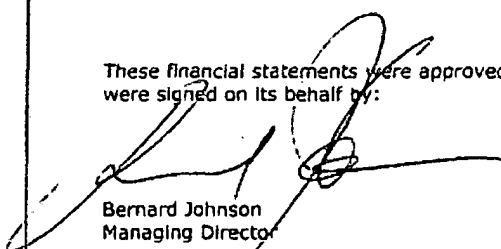


# Creightons Plc Annual Report 2019

## Company balance sheet

		31 March 2019	31 March 2018
	Note	£000	£000
<b>Non-current assets</b>			
Investment in subsidiaries	17	60	60
<b>Current assets</b>			
Trade and other receivables	19	2,614	2,529
<b>Total assets</b>		<b>2,674</b>	<b>2,589</b>
<b>Current liabilities</b>			
Trade and other payables	22	35	35
<b>Net current assets</b>		<b>2,579</b>	<b>2,494</b>
<b>Total liabilities</b>		<b>35</b>	<b>35</b>
<b>Net assets</b>		<b>2,639</b>	<b>2,554</b>
<b>Equity</b>			
Share capital	25	625	607
Share premium account		1,329	1,262
Capital redemption reserve		18	18
Retained earnings		667	667
<b>Total equity attributable to the equity shareholders</b>		<b>2,639</b>	<b>2,554</b>

These financial statements were approved by the board of directors and authorised for issue on 25 June 2019. They were signed on its behalf by:

  
Bernard Johnson  
Managing Director

Company registration number 1227964

# Creightons Plc Annual Report 2019

## Consolidated statement of changes in equity

	Share capital	Share premium account	Other reserves (note 26)	Translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2017	606	1,259	25	(9)	(37)	6,623	8,467
Exchange differences on translation of foreign operations	-	-	-	9	-	-	9
Exercise of options	1	3	-	-	-	-	4
Share-based payment charge	-	-	-	-	-	69	69
Exercise of derivatives	-	-	-	-	37	-	37
Deferred tax through Equity	-	-	-	-	-	17	17
Dividends	-	-	-	-	-	(230)	(230)
Profit for the year	-	-	-	-	-	1,232	1,232
At 31 March 2018	607	1,262	25	-	-	7,711	9,605
Exercise of options	18	67	-	-	-	-	85
Share-based payment charge	-	-	-	-	-	69	69
Deferred tax through Equity	-	-	-	-	-	49	49
Dividends	-	-	-	-	-	(233)	(233)
Profit for the year	-	-	-	-	-	2,891	2,891
At 31 March 2019	625	1,329	25	-	-	10,487	12,466

## Company statement of changes in equity

	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 April 2017	606	1,259	18	598	2,481
Exercise of options	1	3	-	-	4
Share based payment charge	-	-	-	69	69
Dividends paid	-	-	-	(230)	(230)
Profit for the year	-	-	-	230	230
At 31 March 2018	607	1,262	18	667	2,554
Exercise of options	18	67	-	-	85
Dividends paid	-	-	-	(233)	(233)
Profit for the year	-	-	-	233	233
At 31 March 2019	625	1,329	18	667	2,639

# Creightons Plc Annual Report 2019

## Consolidated cash flow statement

		Year ended 31 March 2019	Year ended 31 March 2018
	Note	£000	£000
<b>Net cash generated from/(used in) operating activities</b>	<b>32</b>	<b>958</b>	<b>(413)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(1,026)	(633)
Purchase of intangible assets		(583)	(549)
<b>Net cash used in investing activities</b>		<b>(1,609)</b>	<b>(1,182)</b>
<b>Financing activities</b>			
Proceeds from new finance leases		198	-
Repayment of finance lease obligations		(5)	-
Proceeds on issue of shares		85	4
Increase in invoice financing facilities		398	-
(Decrease)/increase of borrowings		(413)	679
Repayment of bank loans		-	(534)
Dividends paid to owners of the parent		(233)	(230)
<b>Net cash generated from/(used in) financing activities</b>		<b>30</b>	<b>(81)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(621)</b>	<b>(1,676)</b>
Cash and cash equivalents at start of year		968	2,631
Effect of foreign exchange rate changes		2	13
<b>Cash and cash equivalents at end of year</b>		<b>349</b>	<b>968</b>

## Company cash flow statement

		Year ended 31 March 2019	Year ended 31 March 2018
	Note	£000	£000
<b>Net cash (used in)/generated from operating activities</b>	<b>32</b>	<b>(85)</b>	<b>530</b>
Dividend received		233	230
<b>Net cash generated from investing activities</b>		<b>233</b>	<b>230</b>
<b>Financing activities</b>			
Proceeds of share issue		85	4
Decrease of bank loans		-	(534)
Dividends paid to owners of the parent		(233)	(230)
<b>Net cash used in financing activities</b>		<b>(148)</b>	<b>(760)</b>
<b>Net change in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at start of year		-	-
<b>Cash and cash equivalents at end of year</b>		<b>-</b>	<b>-</b>

## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 1. General information

Creightons Plc (the Company) was incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 60; it is a public company, with a premium listing on the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 5 to 9.

These Financial Statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

#### 2 Adoption of new and revised accounting standards

The new standards impacting on the Group have been adopted in its financial statements for the year ended 31 March 2019 and have changed the Group's accounting policies are:

- IFRS 9, Financial Instruments (IFRS 9) and
- IFRS 15, Revenue from Contracts with Customers (IFRS 15)

#### Effect of changes in accounting policies

IFRS 15 provides a single comprehensive standard in accounting for revenue arising from contracts with customers. IFRS 15 supersedes all previous revenue guidance. The Group has adopted IFRS 15 for the year ended 31 March 2019 and has applied the modified retrospective approach without restating the comparatives.

Under IFRS 15 early settlement discounts, royalties due to third parties and promotional support due to customers are estimated and recognised as a reduction to revenue when performance obligations are satisfied. For the impact in the year to 31 March 2019 see note 5.

The Group has applied IFRS 9 from 1 April 2018 and has applied the retrospective approach without restating the comparatives.

IFRS 9 introduced a new classification and measurement model of financial assets reducing the number of categories of financial assets from previous standards. There are now three categories of financial assets recognised from being measured at

- fair value through the statement of income;
- fair value through the statement of comprehensive income or at
- amortised cost.

The Group's financial assets measured at amortised cost comprise trade and other receivables, and cash and cash equivalents in the consolidated statement of financial position. Hence there is no reclassification or accounting changes required.

Under IFRS 9 the major change is on impairments which are recognised on an expected loss basis rather than incurred loss. The Group will always account for expected credit losses and changes in those expected losses reviewed at each year end. The Group measures expected credit losses on a collective basis, trade receivables are grouped based on ageing. The expected losses are based on the Group's historical credit losses over the past ten years, and consideration of future economic factors. The new impairment model has no material impact on the Group results.

The International Accounting Standards Board and IFRIC have issued the following new standard and interpretations with an effective date after the date of these financial statements, which have not been applied in these financial statements:

Standard/Interpretation	Title	Effective date
IFRS 16	Leases	1 January 2019

IFRS 16 replaces existing lease guidance. Leases will have the impact of increasing both creditors and fixed assets on the balance sheet by similar amounts that will depend on the operating leases that the Group is party to during the year ended 31 March 2020.

The most significant impact identified is that the Group will recognise new assets and liabilities for its Peterborough and Devon sites. As at 31 March 2019, the Group's future minimum lease payments under non- cancellable operating leases amounted to £1,758,000 on an undiscounted basis (see note 29).

**Notes to the financial statements**

**3 Significant accounting policies**

**Basis of accounting**

The financial statements have been prepared in accordance with IFRS adopted by the European Union and the Group financial statements comply with Article 4 of the EU IAS regulations.

The financial statements have also been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

**Basis of consolidation**

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

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

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

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

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

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

**Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparation of the financial statements. Further detail is included in the strategic report on pages 5 to 9.

**Business combinations**

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

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired entity, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the fair value of the acquirer's previously held interests in the acquired entity (if any), the excess is recognised immediately in profit or loss as a purchase gain.

**Notes to the financial statements**

**3 Significant accounting policies (continued)**

**Goodwill and intangible assets with indefinite lives**

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

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

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

**Revenue recognition**

The Group has adopted IFRS 15 from 1 April 2018. The standard provides a single comprehensive model for revenue recognition.

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

Where the Group has entered in to distributor arrangements performance obligation is considered to be satisfied with the distributor from the date of the dispatch from the Company's UK warehouse. Revenue is therefore recognised on the date of dispatch.

Most of the Group's revenue is derived from fixed price agreements with customers and therefore the amount of revenue to be earned from each shipment is determined by reference to those fixed prices.

The impact of IFRS 15 is the recognition through revenue of royalties due to third parties and promotional support due to customers which are recognised on an accruals basis in accordance with the actual revenue during the period and the agreed promotional mechanics with customers. These were previously categorised in cost of sales and administrative expenses respectively.

**Practical exemptions**

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

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis over the term of the lease.

## **Creightons Plc Annual Report 2019**

### **Notes to the financial statements**

#### **3 Significant accounting policies (continued)**

##### **Foreign currencies**

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

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

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange difference on:

- transactions entered into to hedge certain currency risks (see below under financial instruments/hedge accounting); and
- monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the next investment.

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

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

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

##### **Borrowing costs**

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

##### **Retirement benefit costs**

The Group companies contribute to defined contribution retirement benefit schemes.

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

##### **Taxation**

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

##### *Current tax*

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

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### *Deferred tax*

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

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

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

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

### **Property, plant and equipment**

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

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

	% per annum
Plant and machinery	10 - 20
Fixtures and fittings	10 - 20
Computers	20 - 33

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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



## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 3 Significant accounting policies (continued)

##### Research and development expenditure

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

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

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

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

##### Intangible assets acquired separately

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

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

##### Impairment of tangible and other intangible assets

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

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

##### Investments

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

##### Inventories

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

##### Financial assets

The Group has adopted IFRS 9 from 1 April 2018. The standard introduced new classification and measurement models for financial assets.

The Group classifies all of its financial assets as to be held at amortised cost as the assets of the Group arise principally from the provision of goods to customers.

The Group's financial assets measured at amortised cost comprise trade and other receivables, and cash and cash equivalents in the consolidated statement of financial position.

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

**Notes to the financial statements**

**3 Significant accounting policies (continued)**

Cash and cash equivalents include cash in hand, demand deposits and advances made available under invoice financing and for the purpose of the statement of cash flows, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

**Financial liabilities**

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

Trade and other payables are recognised at their cost which approximates to their fair value.

Obligations under finance leases are initially measured fair value net of any transaction costs directly attributable to the issue. Such interest-bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.

**Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based payments are set out in note 27.

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

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

**4 Critical accounting judgements and sources of estimation uncertainty**

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

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill - Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill is allocated. The value in use requires the entity to estimate the future economic benefit. No impairment provision was considered necessary against this carrying value.

Stock provision - A judgement is required in determining the value of any provisions held against inventory. In determining this provision the directors have made a judgement based on the historic realisable value of finished products and made provision for all raw materials with no current demand.

***Key sources of estimation uncertainty***

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

Impairment of product development costs - Management review the recoverability of capitalised product development costs throughout the year and will charge amortisation to reflect any impairment arising from a reduction in the anticipated lifecycle of the products. At the balance sheet date all products were considered to have product lifecycles which were in line with the accounting policies noted in 3 above.

Expected credit losses - The Group measures expected credit losses on a collective basis trade receivables grouping them based on similar credit risk and aging. The expected loss rates are based on the Group's historical credit losses, adjusting for the knowledge of the Group's customers.

## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 5 Revenue

All of the Group's revenue is derived from the sale of goods.

The disaggregation of the Group's revenue for the year ended 31 March 2019 following the introduction of IFRS 15.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Sales of goods	44,601	34,949
Settlement discounts	(85)	(139)
Contracted retailer commitments	(181)	-
Royalties & commissions	(81)	-
Retailer promotional support	(224)	-
Revenue	44,030	34,810

#### 6 Business and geographic segments

In the year ended 31 March 2019 the Group had two customer that exceeded 10% of total revenue, being 15.2% and 13.8% (2018: one customer being 13.5%).

Revenues from external customers

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
UK	39,025	30,218
Overseas	5,005	4,592
Total	44,030	34,810

#### 7 Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Net foreign exchange loss/(gain)	15	(236)
Cost of inventories recognised as expense	26,675	20,896
Write downs of inventories recognised as an expense	162	123
Research and development costs	533	418
Depreciation of property plant and equipment		
- Owned assets	450	412
- Leased assets	39	-
Loss on disposal of property plant and equipment	6	26
Amortisation of intangible assets (included in administrative expenses)	514	412
Staff costs	10,794	9,178
Auditor's remuneration	65	65
Operating lease rental expense		
- Land & buildings	510	510
- Other	61	36

# Creightons Plc Annual Report 2019

## Notes to the financial statements

### 7 Operating profit (continued)

The analysis of auditor's remuneration is as follows:

		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Audit services			
Fees payable to the company's auditor for the audit of the parent company and the consolidated financial statements		41	41
Fees payable to the company's auditor for other services:			
The audit of the company's subsidiaries, pursuant to legislation		24	24

### 8. Staff costs

The average number of employees (including directors) was:

		Year ended 31 March 2019 Number	Year ended 31 March 2018 Number
Management		9	8
Administration		99	82
Production		310	275
Total		418	365

Their aggregate remuneration comprised:

		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Wages and salaries		9,702	8,250
Social security costs		891	823
Pension contributions		201	105
Total		10,794	9,178

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

### 9. Finance income

		Group		Company	
		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Interest received from subsidiary		-	-	-	5
Total		-	-	-	5

# Creightons Plc Annual Report 2019

## Notes to the financial statements

### 10. Finance costs

	Group		Company	
	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2019	2018	2019	2018
	£000	£000	£000	£000
Interest on bank overdrafts and loans	30	26	-	5
Interest on obligations under finance leases	1	-	-	-
Total	31	26	-	5

### 11. Taxation

	Year ended 31 March	Year ended 31 March
	2019	2018
	£000	£000
Current tax		
Current tax on profit for the year	(291)	(331)
Adjustments in respect of prior years	353	(21)
Total current tax	62	(352)
Deferred tax (see note 33)		
Originations and reversal of temporary differences	(47)	15
Adjustment in respect of prior years	7	(40)
Total deferred tax	(40)	(25)
Total	22	(377)

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

	Year ended 31 March	Year ended 31 March
	2019	2018
	£000	£000
Profit before taxation	2,869	1,609
Tax charge at the UK corporation tax rate of 19% (2018: 19%)	(545)	(306)
Fixed asset differences	(9)	(5)
Tax effect of expenses that are not deductible in determining taxable profit	(14)	(19)
Deferred tax charge on temporary differences	45	32
Additional deduction for R&D expenditure	178	-
Adjustments in respect of prior years	353	(21)
Adjustments in respect of prior years (deferred tax)	6	(40)
Deferred tax credited directly to retained earnings	(49)	(17)
Adjust closing deferred tax to average rate	3	4
Adjust opening deferred tax to average rate	(3)	(8)
Deferred tax not recognised	(30)	(2)
Other differences	87	5
Total income/(expense) and effective rate for the year	22	(377)

## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 11. Taxation (continued)

In addition to the taxation credit/(charge) to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity.

		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
<b>Deferred tax</b>			
Excess tax deductions related to share-based payments on exercised options		49	17
<b>Total</b>		<b>49</b>	<b>17</b>

#### 12. Payments to shareholders

		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Final dividend paid – 0.23p (2018: 0.23p) per share		139	139
Interim dividend paid – 0.15p (2018: 0.15p) per share		94	91
<b>Total</b>		<b>233</b>	<b>230</b>

#### 13. Earnings per share

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

		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
<b>Earnings</b>			
Net profit attributable to the equity holders of the parent company		2,891	1,232

		Year ended 31 March 2019 Number	Year ended 31 March 2018 Number
<b>Number of shares</b>			
Weighted average number of ordinary shares for the purposes of basic earnings per share		61,587,535	60,596,963
Effect of dilutive potential ordinary shares relating to share options		7,888,968	5,882,951
Weighted average number of ordinary shares for the purposes of diluted earnings per share		69,476,503	66,479,914

#### Earnings per share

Basic		4.69p	2.03p
Diluted		4.16p	1.85p

## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 14. Goodwill

		Year ended 31 March £000
<b>Cost</b>		
At 1 April 2017, 31 March 2018 and 31 March 2019		367
<b>Accumulated impairment losses</b>		
At 1 April 2017, 31 March 2018 and 31 March 2019		36
<b>Carrying amount</b>		
At 31 March 2018		331
At 31 March 2019		331

Goodwill relates to the Potter & Moore business acquired in March 2003.

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

The recoverable amount is determined from a value in use calculation. The key assumptions used for the value in use calculation are the discount rate, sales and margin projections, expected changes in direct and indirect costs during the five year forecast, a growth rate of 9% and a discount rate of 6%. No likely change in these assumptions would give rise to impairment.

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

#### 15. Other intangible assets

##### Group

	Computer software £000	Intellectual property £000	Product development costs £000	Total £000
<b>Cost</b>				
At 1 April 2017	142	10	1,576	1,728
Additions	3	-	546	549
Disposals	-	-	(352)	(352)
At 31 March 2018	145	10	1,770	1,925
Additions	68	-	515	583
At 31 March 2019	213	10	2,285	2,508
<b>Accumulated amortisation</b>				
At 1 April 2017	118	-	1,398	1,516
Amortisation for the year	9	-	403	412
Disposals	-	-	(352)	(352)
At 31 March 2018	127	-	1,449	1,576
Amortisation for the year	14	-	500	514
At 31 March 2019	141	-	1,949	2,090
<b>Carrying value</b>				
At 1 April 2017	24	10	178	212
At 31 March 2018	18	10	321	349
At 31 March 2019	72	10	336	418

## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 16. Property, plant and equipment

##### Group

	Plant and machinery	Fixtures and fittings	Computers	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 April 2017	3,692	343	89	4,124
Additions	470	125	38	633
Disposals	(152)	-	-	(152)
At 31 March 2018	4,010	468	127	4,605
Additions	876	150	-	1,026
Disposals	(7)	-	-	(7)
At 31 March 2019	4,879	618	127	5,624
<b>Accumulated depreciation</b>				
At 1 April 2017	2,242	209	36	2,487
Depreciation for the year	338	52	22	412
Disposals	(126)	-	-	(126)
At 31 March 2018	2,454	261	58	2,773
Depreciation for the year	400	69	20	489
Disposals	(1)	-	-	(1)
At 31 March 2019	2,853	330	78	3,261
<b>Carrying value</b>				
At 1 April 2017	1,450	134	53	1,637
At 31 March 2018	1,556	207	69	1,832
At 31 March 2019	2,026	288	49	2,363

Included within property, plant and equipment are assets held under finance leases with a carrying value of £180,000 (2018: £nil) on which depreciation of £39,000 (2018: £nil) has been charged during the year.

#### 17. Investment in subsidiaries

##### Company

	Investments
	£000
<b>Cost</b>	
At 1 April 2017, 31 March 2018 and 31 March 2019	75
<b>Impairment charge</b>	
At 1 April 2017, 31 March 2018 and 31 March 2019	15
<b>Carrying value</b>	
At 1 April 2017, 31 March 2018 and 31 March 2019	60

Details of the company's subsidiaries at 31 March 2019 and 31 March 2018 are as follows:



## Creightons Plc Annual Report 2019

### Notes to the financial statements

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

Name	Place of incorporation, registration and operation	Proportion of ownership, interest and voting power held
Potter & Moore Innovations Limited	England	100%
Potter and Moore International Inc	United States of America	100%
Potter and Moore (Devon) Limited	England	100%
Potter and Moore Pty Ltd	Australia	100%
Potter and Moore Limited	Republic of Ireland	100%
The Natural Grooming Company Limited	England	100%
St James Perfumery Co Limited	England	100%
Ashworth & Claire Limited	England	100%
The Haircare Studio Limited	England	100%
The Real Shaving Company Ltd	England	100%
The Hair Design Studio Limited	England	100%
Creightons Naturally Limited	England	100%
Groomed Limited	England	100%
Twisted Sista Limited	England	100%
Amie Skincare Limited	England	55%
Potter & Moore International Ltd	England	100%
The Herbal Hair Company Ltd	England	100%
Curl Therapy Limited	England	100%
Feather & Down Limited	England	100%
Creighton Services Limited	England	100%
The Curl Company Limited	England	100%
Creighton Direct Limited	England	100%

All shareholdings are in ordinary shares.

Potter and Moore Limited was incorporated on 3 December 2018 and has not traded in the period. This subsidiary is to be used as an EU base for recording regulatory information should this be required.

The activity of Potter & Moore Innovations Limited is the creation and manufacture of toiletries and fragrances. The activity of Potter and Moore International Inc. is a distribution of personal care products. The activity of Potter & Moore (Devon) Limited, is the manufacture and distribution of premium contract brands. The range of products includes toiletries, fragrances and soaps. The activity of Potter and Moore Pty Ltd is the distribution of personal care products.

All other subsidiaries were dormant throughout the years ended 31 March 2019 and 31 March 2018.

Under the terms of the shareholder agreements with the partners in Amie Skincare Limited the partner shareholder has the right, in certain circumstance, to purchase the company's shareholding upon the exercise of a valid exercise option. The directors consider the value of this option to be immaterial.

#### 18. Inventories

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Raw materials	2,775	2,300	-	-
Work in progress	913	621	-	-
Finished goods	4,327	2,578	-	-
Total	8,015	5,499	-	-

Inventories with a carrying value of £8,015,000 (2018: £5,499,000) have been pledged as security for the Group's bank overdrafts. Directors believe that net realisable value approximates to fair value.

## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 19. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade receivables	7,862	7,248	-	-
Amounts receivable from subsidiaries	-	-	2,614	2,529
Prepayments and other receivables	418	419	-	-
Total	8,280	7,667	2,614	2,529

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

The carrying value of trade and other receivables represents their fair value. The Group assesses the credit risk for each individual customer and the value of debtors covered by credit insurance at 31 March 2019 was £5,462,000 (2018: £5,429,000). With a further £2,356,000 (2018: £1,815,000) on debtors which the Group consider to be low risk customers, due to their financial standing and market position.

Amounts receivable from subsidiaries are unsecured, interest free and repayable on demand.

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

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade receivables:				
Current	7,548	6,755	-	-
1 - 30 days	204	367	-	-
31 - 60 days	31	25	-	-
61 - 90 days	44	62	-	-
91 + days	64	44	-	-
Less impairment allowance	(29)	(5)	-	-
Total	7,862	7,248	-	-

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

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
At 1 April	5	8	-	-
Charge/(release) in current year income statement	24	(3)	-	-
At 31 March	29	5	-	-

There were £343,000 (2018: £498,000) of trade receivables that were overdue at the balance sheet date that have not been provided against. There are no indications as at 31 March 2019 that the debtors will not meet their payment obligations in respect of the amount of trade receivables recognised in the balance sheet whether past due or not and not provided. The proportion of trade receivables at 31 March 2019 that were overdue for payment was 4.4% (2018: 6.9%).

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

The impairment allowance for bad debts are calculated using a lifetime expected credit loss model, as set out below, in accordance with IFRS 9. There are no receivables subjected to a significant increase in credit loss. The actual doubtful debt allowance for the year to March 2018 was £5,000 and the comparatives have not been restated.

## Creightons Plc Annual Report 2019

### Notes to the financial statements

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

	<b>Group</b>		
	<b>2019</b>		
	<b>£000</b>	<b>%</b>	<b>£000</b>
Current	7,548	-	-
1 -30 days	204	-	-
31 -60 days	31	-	-
61 - 90 days	44	-	-
91 + days	64	45.3	29
At 31 March			29

#### 20. Cash and cash equivalents

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

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	325	794	-	-
Sterling equivalent of deposit denominated in Australian dollars	13	11	-	-
Sterling equivalent of deposit denominated in Euros	7	10	-	-
Sterling equivalent of deposit denominated in South African Rands	-	9	-	-
Surplus invoice finance balance	4	144	-	-
Total	349	968	-	-

#### 21. Financial instruments and treasury risk management

Exposures to credit, interest and currency risks arise in the normal course of the Group's business. Risk management policies and hedging activities are outlined below.

##### Credit risk

Trading exposures are monitored by the operational companies against agreed policy levels. Credit insurance with a world leading insurer is employed where it is considered to be cost effective. Non-trading financial exposures are incurred only with the Group's bankers or other institutions with prior approval of the Board of directors.

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

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

##### Interest rate risk

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

##### Interest rate sensitivity

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

A 1% increase in bank base rates would reduce Group pre-tax profits by £7,000 (2018: £7,000). A 1% decrease would have the opposite effect. The Group's sensitivity to interest rates has not changed during the current year.

## Creightons Plc Annual Report 2019

### Notes to the financial statements

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

##### Foreign currency risks

The Group is exposed to foreign currency transaction and translation risks.

Transaction risk arises on income and expenditure in currencies other than the functional currency of each group company. The magnitude of this risk is relatively low as the majority of the Group's income and expenditure are denominated in the functional currency. Approximately 2% (2018: 3%) of the Group's income is denominated in US dollars and 2% (2018: 2%) in Euros. Approximately 1% (2018: 1%) of the Group's expenditure is denominated in US dollars and 7% (2018: 8%) in Euros.

##### Foreign currency sensitivity

A 5% strengthening of sterling would result in a £46,000 (2018: £48,000) reduction in profits and equity. A 5% weakening in sterling would result in a £50,000 (2018: £53,000) increase in profits and equity.

When appropriate the Group utilises currency derivatives to hedge against significant future transactions and cash flows. The Group had entered into forward exchange contracts during the year ended 31 March 2018 for hedging the exchange rate risk from commitments to purchase raw materials denominated in Euros and then sold in US dollars, which were designated as cash flow hedges. The instruments purchased were in the currency used by the Group's principal overseas suppliers and were all settled in the year. There were no outstanding contracts as at 31 March 2018 or 31 March 2019.

The Group designates its foreign currency forward exchange contracts as hedging instruments as they qualify for hedge accounting under IAS39. The Group is party to foreign currency forward contracts in the management of its exchange risk exposure; they are not held for speculative purposes. The instruments purchased are in the currencies used by the Group's overseas customers and suppliers.

##### Cash flow and liquidity risk

The Group manages its working capital requirements through overdrafts and invoice finance facilities. These facilities are due to be renewed in March 2020. The maturity profile of the committed bank facilities is reviewed regularly and such facilities are extended or replaced well in advance of their expiry. The Group has complied with all of the terms of these facilities. At 31 March 2019 the Group had available £4,744,000 (2018: £3,873,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

##### Financial assets

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

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade and other receivables	7,862	7,248	2,614	2,529
Cash and cash equivalents	349	968	-	-
Total	8,211	8,216	2,614	2,529

# Creightons Plc Annual Report 2019

## Notes to the financial statements

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

#### Financial liabilities

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

Year ended 31 March 2019

	Group			
	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Total
	£000	£000	£000	£000
Trade and other payables	4,459	-	-	4,459
Accruals	1,031	-	-	1,031
Obligations under finance leases	23	23	166	212
Borrowings	732	-	-	732
Total	6,245	23	166	6,434

Year ended 31 March 2018

	Group			
	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Total
	£000	£000	£000	£000
Trade and other payables	4,561	-	-	4,561
Accruals	699	-	-	699
Obligations under finance leases	-	-	-	-
Borrowings	747	-	-	747
Total	6,007	-	-	6,007

Year ended 31 March 2019

	Company			
	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
	£000	£000	£000	£000
Trade and other payables	-	-	-	35
Total	-	-	-	35

Year ended 31 March 2018

	Company			
	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
	£000	£000	£000	£000
Trade and other payables	-	-	-	35
Total	-	-	-	35

## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 22. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade payables	4,459	4,561	-	-
Social security and other taxes	849	780	-	-
Accrued expenses	1,031	699	-	-
Amounts payable to subsidiary undertakings	-	-	35	35
Corporation tax payable	-	220	-	-
Total	6,339	6,260	35	35

The directors consider the carrying amount of trade payables approximates to fair value.

Amounts payable to subsidiary undertakings are unsecured, interest free and repayable on demand.

#### 23. Obligations under finance leases

	Minimum lease payments			
	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Amounts payable under finance leases				
Within one year	46	-	-	-
Between two to five years	166	-	-	-
Total minimum lease payments	212	-	-	-

All lease obligations are denominated in sterling and the fair value of the Group's lease obligations approximate to their carrying value.

The Group's obligation under finance leases are secured by the lessor's rights over the leased assets.

#### 24. Bank overdrafts and loans

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Bank overdraft	334	747	-	-
Borrowings under invoice finance facilities	398	-	-	-
Total	732	747	-	-

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

Borrowings totalling £334,000 (2018: £747,000) are denominated in US Dollars, all other borrowings are denominated in Sterling. The directors estimate that the fair value of the Group's borrowings approximates to the carrying value.

The weighted interest rates paid were as follows:

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Bank overdrafts	3.5	3.3	-	-
Bank loan	-	2.7	-	-
Borrowings under invoice finance facilities	3.0	2.8	-	-

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

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

## Creighton's Plc Annual Report 2019

### Notes to the financial statements

#### 25. Share capital

	Ordinary shares of 1p each	
	£000	Number
At 1 April 2017	606	60,552,243
Issued in the year	1	85,909
At 31 March 2018	607	60,638,152
Issued in the year	18	1,907,991
At 31 March 2019	625	62,546,143

The Company has one class of ordinary shares which carry no right to fixed income. All of the shares are issued and fully paid. The total proceeds from the issue of shares from the exercise of share options in the year was £85,000 (2018: £4,000).

#### 26. Other reserves

##### Group

	Capital reserve	Capital redemption reserve	Total Other reserves
	£000	£000	£000
At 1 April 2017, 31 March 2018 and 31 March 2019	7	18	25

#### 27. Equity settled share-based payments

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

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

	Ordinary shares of 1p each			
	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the period	5,804,091	4.72p	5,940,000	5.26p
Granted in the period	6,737,200	26.80p	-	-
Exercised in the period	(1,907,991)	28.28p	(85,909)	4.85p
Lapsed in the period	-	-	(50,000)	4.50p
Outstanding at the end of the period	10,633,300	18.75p	5,804,091	4.72p

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

Granted	Exercise period	Number	Exercise price
December 2013	2016 - 2023	45,000	4.25p
November 2014	2017 - 2024	1,300,000	5.50p
September 2015	2018 - 2025	2,551,100	4.50p
October 2018	2021 - 2028	6,737,200	26.80p
Outstanding at the end of the period		10,633,300	18.75p

The weighted average exercise price of current exercisable options is 4.83p. The weighted average contractual life for the outstanding options based on last exercise date is 7.0 years.

## Creightons Plc Annual Report 2019

### Notes to the financial statements

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

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

		Year ended 31 March 2019	Year ended 31 March 2018
Weighted average share price (pence)		26.80p	-
Weighted average exercise price (pence)		26.80p	-
Expected volatility (%)		38.5%	-
Expected life - years		3	-
Risk free rate (%)		0.75%	-
Expected dividends (pence)		-	-

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

The Group recognised total expenses of £69,000 (2018: £69,000) related to share-based payments.

The charge for a full year for the new share options will be £133,000.

#### 28. Retirement benefit scheme

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

The charge in the consolidated income statement in the year was £201,000 (2018: £105,000) and cash contributions were £192,000 (2018: £83,000).

#### 29. Operating lease arrangements

The Group leases property, plant and equipment under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

	Group		Company	
	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Minimum lease payments under operating leases recognised as an expense in the year	571	546	-	-

An analysis of the total minimum lease payments under non-cancellable operating leases is set out below:

Total operating leases, expiring	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Within one year	566	571	-	-
In the second to fifth years inclusive	812	1,200	-	-
After five years	380	555	-	-
Total	1,758	2,326	-	-



# Creightons Plc Annual Report 2019

## Notes to the financial statements

### 30. Capital commitments

		Group		Company	
		2019	2018	2019	2018
		£000	£000	£000	£000
Contracts placed for future capital expenditure not provided for in the financial statements		136	329	-	-

### 31. Related party transactions

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

The amounts owed by and to subsidiary companies are:

		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Amounts receivable from subsidiary undertakings		2,614	2,529
Amounts payable to subsidiary undertakings		(35)	(35)

During the year the company was charged £nil (2018: £69,000) by Potter & Moore Innovations Limited in relation to share-based payment charges and transferred £85,000 from the proceeds of the exercise of share option (2018: £4,000). The Company received a dividend of £233,000 (2018: £230,000) from Potter & Moore Innovations Limited.

#### Oratorio Developments Limited

On 24 July 2006 Oratorio Developments Limited, a company of which Mr McIlroy is a Director and controlling shareholder, acquired the premises occupied by Potter & Moore Innovations Limited. The following amounts were charged under the terms of the lease:

		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Rental charges		350	350
Re-imbursement of property insurance costs		16	16
Total		366	366

Amounts owed to Oratorio Developments Limited

		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Amounts payable		121	105

#### Carty Johnson Limited

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

		Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Charges for internet support services		12	7

## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 31. Related party transactions (continued)

##### Saxon Coast Limited

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

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Charges for company secretarial services	23	13

Details of the remuneration paid to related parties (as well as any salaries and bonuses waived) is included in the Directors Remuneration Report on page 19.

#### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24, 'Related Party Disclosure'. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 18 to 23.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Salaries and other short term benefits	716	539
Total	716	539

#### 32. Notes to cash flow statement

##### Group

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
<b>Profit from operations</b>	<b>2,900</b>	<b>1,635</b>
Adjustments for:		
Depreciation on property, plant and equipment	489	412
Amortisation of intangible assets	514	412
Loss on disposal of property, plant and equipment	6	26
Share based payment charge	69	69
	<b>3,978</b>	<b>2,554</b>
Increase in inventories	(2,516)	(1,475)
Increase in trade and other receivables	(442)	(2,806)
Increase in trade and other payables	297	1,710
<b>Cash generated from/(used in) operations</b>	<b>1,317</b>	<b>(17)</b>
Interest paid	(31)	(26)
Taxation paid	(328)	(370)
<b>Net cash generated from/(used in) operating activities</b>	<b>958</b>	<b>(413)</b>

## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 32. Notes to cash flow statement (continued)

##### Analysis of changes in net debt

	At 1 April 2018	Cash flow	Non-cash movements	At 31 March 2019
	£000	£000	£000	£000
Cash and bank balances	968	(621)	2	349
Borrowings	(747)	15	-	(732)
<b>Net debt</b>	<b>221</b>	<b>(606)</b>	<b>2</b>	<b>(383)</b>

	At 1 April 2017	Cash flow	Non-cash movements	At 31 March 2018
	£000	£000	£000	£000
Cash and bank balances	2,631	(1,676)	13	968
Borrowings	(602)	(145)	-	(747)
<b>Net debt</b>	<b>2,029</b>	<b>(1,821)</b>	<b>13</b>	<b>221</b>

##### Company

	Year ended 31 March 2019	Year ended 31 March 2018
	£000	£000
<b>Profit from operations</b>	-	-
Adjustments for:		
Share based payment charge	-	69
	-	<b>69</b>
(Increase)/decrease in trade and other receivables	(85)	461
<b>Cash (used in)/generated from operations</b>	<b>(85)</b>	<b>530</b>
Interest paid	-	(5)
Interest received	-	5
<b>Net cash (used in)/generated from operating activities</b>	<b>(85)</b>	<b>530</b>

## Creightons Plc Annual Report 2019

### Notes to the financial statements

#### 33. Deferred tax

The movement in deferred tax provision is analysed as follows.

	<b>Group £000</b>
At 1 April 2017	(26)
Recognised in the income statement	(25)
Recognised directly through retained earnings	17
At 31 March 2018	<b>(34)</b>
Recognised in the income statement	(40)
Recognised directly through retained earnings	49
At 31 March 2019	<b>(25)</b>

Deferred tax is represented by:

	<b>Year ended 31 March 2019 £000</b>	<b>Year ended 31 March 2018 £000</b>
Capital allowances in advance of depreciation	(177)	(126)
Share based payments	147	80
Other temporary differences	5	12
<b>Net deferred tax liability</b>	<b>(25)</b>	<b>(34)</b>

#### 34. Post Balance Event

On 21 June 2019, the Group acquired for £500,000 the skincare brand equity including goodwill and intellectual property of Balance Active Formula plus existing stocks. The acquisition add to the Group's growing range of beauty and well-being products.

## Creightons Plc Annual Report 2019

### Directors and Advisers

#### Directors

William O McIlroy  
Bernard JM Johnson  
William T Glencross  
Mary T Carney  
Nicholas DJ O'Shea  
Philippa Clark  
Martin Stevens  
Paul Forster

Chairman  
Managing Director  
Non-executive Director  
Senior Independent Non-executive Director  
Non-executive Director  
Global Sales & Marketing Director  
Deputy Managing Director  
Group Finance & Commercial Director

#### Registered Office and number

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

#### Company Secretary

Nicholas DJ O'Shea, BSc ACMA CGMA

#### Auditor

BDO LLP  
150 Aldersgate Street  
London  
EC1A 4AB

#### Registrars

Link Market Services Limited  
Northern House  
Fenay Bridge  
Huddersfield  
HD8 0GA

#### Bankers

HSBC Bank Plc  
Cathedral Square  
Peterborough  
PE1 1XL

#### Solicitors

Thomson, Webb & Corfield  
16 Union Road  
Cambridge  
CM2V 1HE

#### Financial Advisers

Beaumont Cornish Ltd  
2<sup>nd</sup> Floor  
Bowman House  
29 Wilson Street  
London  
EC2M 2SJ