

**Creightons Plc Annual Report 2015**

Registered Number 1227964

## Creightons Plc Annual Report 2015

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## Chairman's statement

I am pleased to report another year of growth and improved profitability. The Group's profit attributable to the equity shareholders of the parent company has increased to £851,000 from £471,000 in 2014. This includes a profit of £375,000 on the sale of the Group's 55% interest in TS Ventures Ltd, which was announced on 27 May 2014. The Group's profit excluding the exceptional profit relating to the sale of TS Ventures Ltd is £476,000 compared to £471,000 in 2014.

On 28 May 2015 the Group completed the disposal of "The Real Shaving Company" business for £1,000,000 which is expected to generate an exceptional profit of £844,000. These two disposals illustrate the Group's effectiveness in creating and developing brands which add to shareholder value. The Directors consider the creation and development of brands to be an ongoing feature of the business.

The growth in sales has been achieved in a highly competitive retail environment where our customers are seeking to improve the value of the offer to their end consumer. Our private label ranges continue to face increased price and promotion pressure from big brands and the growth of the value market, which has eroded their market share and adversely affected sales volumes. To combat the effects of lower underlying demand we have continued to successfully generate sales growth by introducing new product ranges for new and existing customers and by expanding our reach into export markets.

Profit margins remain under pressure with customers seeking to recover lost margin and with sales growth coming from lower margin products. We continue to manage costs and our product offering in order to be in a position to respond to customer pressure whilst maintaining our own profitability.

## Financial results

Group sales this year of £21,093,000 are £1,741,000 (9%) higher than last year (2014: £19,352,000), continuing the upward growth in sales volumes we have been recording over the past three years. This year's sales growth has mainly come from our branded and contract business with only marginal growth from private label customers. The disposal of the Twisted Sista brand has reduced the level of business generated through our North American subsidiary. Our strategy of developing the market for branded products exported from the UK has been particularly successful with sales growth of 95%.

Changes in product and customer mix and price pressure from private label customers has resulted in a reduced gross margin percentage of 39.8%, a reduction of 1.0% on last year (2014: 40.8%). Winning business with a lower than average margin has helped deliver the 9% sales growth noted above. Administration costs, which include product research and development as well as sales promotion and product support, have risen by 5.7% (2014 - 4.1%) as we invest resources to support the growth of the business.

Group profit after tax of £851,000 (2014: £471,000) shows a significant improvement in shareholder value. Profit after tax and before the exceptional item of £476,000 (2014: £471,000) represents a solid performance in view of the market pressures and the investments made to support future development. Diluted earnings per share rose from 0.79p in 2014 to 1.27p for 2015.

Net borrowings (bank overdraft and loans less cash at bank and in hand) at the year-end have reduced by £527,000 to £75,000 (2014: £602,000). Cash generated by the business, together with £387,000 generated from the sale of the Twisted Sista brand, has been partly utilised to fund the increase in working capital required to support the expansion of the business.

## Current year developments

The Group continues to develop and strengthen its branded portfolio. This is being achieved through expanding our brand offering and refining the range offering within existing brands. We will also seek to acquire brands which are complementary to our existing portfolio and where our sales, marketing and product development expertise will enable the Group to drive growth.

We expect our main private label customers to respond to the pressures in the current economic climate with value strategies resulting in sales opportunities, which we intend to exploit with lower priced products to offset lower sales levels on higher priced products. This is likely to result in margin pressure over the coming years. We will continue to manage our overhead cost base and working capital requirements to ensure they are aligned with the anticipated sales levels of the Group, whilst retaining the skills necessary to meet growth opportunities as they arise.

There has been a slight increase in raw material prices after a relatively benign period and we have focused attention on maximising our buying potential.

As in previous years, your Board is continuing to seek opportunities to acquire brands or companies that would complement the existing businesses by offering synergies in manufacturing, sourcing and marketing due to similarities in product alignment, sourcing or outlets.

As mentioned above the Group completed the sale of The Real Shaving Company business for an anticipated profit of £844,000. The Group intends to utilise the proceeds of this disposal to invest in the development of new ranges and to invest in resources to help improve productivity and staff development. We are finalising plans to invest approximately £100,000 to improve our manufacturing and logistics organisations. This one-off expenditure, which will impact on the results for this year, will provide us with the structure capable of delivering long term increases in productivity and capacity and improve our competitiveness.

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The Board has considered and decided not to declare a dividend this year. As part of this review the Board also decided that it should aim to introduce dividend payments for the year ended 31 March 2016, should the underlying level of profits and cash generation continue to improve.

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

**William McIlroy**  
**Chairman, 18 June 2015**

## **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.

The directors in preparing this strategic report 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 page 2.

The subsidiary undertakings affecting the results of the Group in the year are detailed in note 15 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. Since then, the Group has consolidated its manufacturing at the *Potter and Moore Innovations* plant in Peterborough.

Having previously experienced a number of years with major losses, the years since the acquisition of *Potter & Moore Innovations* in 2003 have seen the group return to sustained and gradually increasing profitability.

#### Operating Environment

The toiletries sector encompasses products from haircare, skincare, bath & body and male grooming, amongst others. The market is relatively mature and 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 with; for example haircare products being developed to treat different hair types and conditions such as; colour, ethnicity and frizziness. This fragmentation whilst adding some complexity creates opportunities for our business.

Consumers purchase our products through a range of retail outlets, from high quality department stores to low-cost discounters, with the high street supermarkets and drug stores somewhere in the middle. The majority of the Group's products are sold in the UK, with increasing amounts 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, such as *Creightons*. Production and manufacturing is 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, although the cost advantage some Far Eastern producers enjoyed previously has been deteriorating in the past few years.

The Group does not operate in a 'regulated' market in the sense that pharmaceutical product manufacturers do, but there has been increasing regulation covering; potentially hazardous substances, consumer protection, waste and disposal of environmentally hazardous products and packaging materials.

## Group strategic report (continued)

### Recent Developments

The Group has broadly organised its operations into three business streams:

- private label business which focuses on high quality private label products for major high street retailers and supermarket chains;
- contract manufacturing business, which develops and manufactures products on behalf of third party brand owners and
- our own branded business which develops, markets, sells and distributes products we have developed and own the rights to.

All of these business streams use central creative, research and development, sourcing, manufacturing and distribution operations based in Peterborough and each 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 the existing brand owners. These operate within the existing branded products business stream. We will continue exploring further opportunities of this nature where the benefits of developing existing established brands with the brand owners will add contribution to profits and value to the brand.

### 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 and fragrances. 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 and continues to extend those already successfully launched such as *Amie Skincare and our 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 owned brands) within the UK and increasingly overseas.
- Continuously 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.

## Key performance indicators

### Management and monitoring of performance

Your directors are mindful that although *Creightons plc* is a UK Listing Authority listed company, in size it is really only medium sized and therefore many of the 'big business' features common in listed companies are inappropriate. This year's profitable result has been achieved only as a result of considerable hard work over several years in focusing management and staff on; more productive product ranges, improving production and stock holding efficiencies, ensuring high levels of customer service and eliminating overhead inefficiencies. Consequently, they have continued the 'minimalist' approach to micro-management of the business that would otherwise add significantly to costs whilst delivering at best minimal added benefits to shareholders.

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### Group strategic report (continued)

The Group therefore has no formal personnel or other non-financial Key Performance Indicators (KPIs) or targets, and each position that becomes vacant is reviewed 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

	2014/15	2013/14	Movement
Sales	£21,093,000	£19,352,000	Increase by 9.0%
Gross Margin as a % of Revenue	39.8%	40.8%	Decrease of 1.0%
Profit for the year	£851,000	£471,000	Increase by 80.6%
Operating profit – excluding exceptional profit	£476,000	£471,000	Increase by 1.1%
Operating profit - excluding exceptional profit - as a % of Revenue	2.2%	2.4%	Decrease of 0.2%
Return on capital employed – excluding exceptional profit	8.2%	9.5%	Decrease of 1.3%
Bank overdraft and loans less cash in hand	£75,000	£602,000	Decreased by 87.5%
Gearing (including obligations under finance leases)	1.3%	12.2%	Decreased by 10.9%

There were no incidents involving employees or contractors on the Group's sites which were required to be reported to the Health & Safety Executive during the year (2014: 2)

### 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 19.

#### Capital structure, cash flow and liquidity

Having achieved profitability after a number of years of substantial losses and repaid loans used at the time of the purchase of the *Potter & Moore* business, the Group's cash flow has improved substantially since the *Potter and Moore* acquisition in 2003. The business is funded using retained earnings and invoice discounting, a bank facility secured against its assets. Further details are set out in Notes 21 - 24.

### Corporate and social responsibility

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

#### Environment

The Group has a formally adopted Environmental Policy, which requires management to work closely with the 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.

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### Group strategic report (continued)

The table below shows the number of employees by gender in the Group as at 31 March 2015.

	Group 2015		Company 2015	
	Female	Male	Female	Male
Directors, including Non-Executive Directors	2	6	2	6
Senior Managers	2	2	-	-
Other employees	126	102	-	-

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

### 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 23 July 2015 and signed on its behalf by:

Bernard Johnson  
Managing Director



**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 2015. The corporate governance statement set out on pages 12 to 14 forms part of this report.

Details of significant events since the balance sheet date are contained in note 32 to the financial statements. An indication of likely future developments in the business of the Group and details of research and development activities are included in the strategic report.

**Dividends**

The directors do not recommend the payment of a dividend to ordinary shareholders for the year ended 31 March 2015 (2014 – nil).

**Greenhouse gas (GHG) emissions**

<b>GHG emissions data for the year from 1 April to 31 March</b>		
	<b>Global tonnes of Co2e</b>	
	<b>2015</b>	<b>2014</b>
Combustion of fuel and operation of facilities	563	528
Electricity, heat, steam and cooling purchased for own use	618	547
<b>Total</b>	<b>1,181</b>	<b>1,075</b>
<i>Tonnes of Co2e per £m of cost of sales</i>	<i>93.0</i>	<i>93.8</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 has 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. 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 23. The company 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 25.

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 Acts, the Articles of the Company and the corporate governance statement on pages 12 to 14.

Under its Articles of Association, the company has the authority to issue 2,917,771 ordinary shares.

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. The directors are not aware of any agreements between the company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

**Directors' report** (continued)

**Directors**

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

William O McIlroy (Executive Chairman and Chief Executive)	
Mary T Carney (Senior Non-executive)	
Nicholas DJ O'Shea (Non-executive)	
Bernard JM Johnson (Managing Director)	
William T Glencross (Non-executive)	
Philippa Clark (Global Sales & Marketing Director)	Appointed 9 Feb 2015
Martin Stevens (Deputy Managing Director)	Appointed 9 Feb 2015
Paul Forster (Director of UK Operations)	Appointed 9 Feb 2015

**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**

Mr William McIlroy and Mr Bernard Johnson retire by rotation at the next annual general meeting and, being eligible to do so, offer themselves for re-election.

William McIlroy has served as the company's Chairman and Chief Executive for over 14 years. He has extensive knowledge and experience of the personal care industry. The Board in its capacity as Nominations Committee endorses Mr McIlroy for re-election on the basis of his record of providing strategic direction and guidance to the company, which have resulted in its recovery from a poor trading and funding position, delivering sustained profit and earnings growth for over a decade.

Bernard Johnson has been with the company for 12 years working as Managing Director. He 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. The Board in its capacity as the Nominations Committee endorses Mr Johnson for re-election on the basis of his record of success in both turning round and then growing the business during his time as Managing Director and believes that he can continue to contribute substantially to the on-going success of the business.

Ms Philippa Clark, Mr Martin Stevens and Mr Paul Forster all stand for election at the next annual general meeting as newly appointed directors. The Board in its capacity as the Nominations Committee endorses their election, considering that they each bring significant experience and ability to the board and as members of the management team for over a decade have demonstrated their ability to build and lead the company.

Philippa Clark has worked within the industry for 18 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 February.

Martin 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 February.

Paul Forster was appointed Director of UK Operations when he joined the Board in February, a new role with responsibility encompassing 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.

**Directors report** (continued)

**Substantial shareholdings**

At 31 March 2015 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	27.24%
Mr B Geary	6,705,000	11.26%
Mr BJM Johnson	4,787,844	8.04%
Mr T Amies	4,360,000	7.32%
Mr D Abell	3,807,150	6.39%
Mr B Dale	2,451,740	4.12%

During the period between 31 March 2015 and 20 July 2015 the company did not receive any notifications under chapter 5 of the Disclosure and Transparency Rules.

**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 2015.
2. To receive and approve the directors' remuneration report for the year ended 31 March 2015.
3. To approve the directors' remuneration policy as detailed in pages 18 to 20 of the directors' remuneration report.
4. To re-elect Mr William McIlroy, who is retiring by rotation under the provisions of Article 103 of the Articles of Association, who, being eligible, offers himself for re-election as a director of the company.
5. To re-elect Mr Bernard Johnson who is retiring by rotation under the provisions of Article 103 of the Articles of Association, who, being eligible, offers himself for re-election as a director of the company.
6. To appoint Ms Philippa Clark who was appointed a director on 9 February 2015 so retires at the next annual general meeting and, being eligible, offers herself for re-election.
7. To appoint Mr Martin Stevens who was appointed a director on 9 February 2015 so retires at the next annual general meeting and, being eligible, offers himself for re-election.
8. To appoint Mr Paul Forster who was appointed a director on 9 February 2015 so retires at the next annual general meeting and, being eligible, offers himself for re-election.
9. To appoint Moore Stephens LLP as auditor and to authorise the directors to determine their remuneration.
10. 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 £198,457.47, being a further one third of the company's present issued share capital as a rights issue.
11. 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 £29,768.62, being 5% of the company's present issued share capital, without first offering them as a rights issue to existing shareholders.
12. 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 £29,768.62, 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.

**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 s418 of the Companies Act 2006.

**Auditor**

Chantrey Vellacott DFK LLP merged its practice with Moore Stephens LLP on 1 May 2015 and is now practising under the name of Moore Stephens LLP. A resolution to appoint Moore Stephens LLP is being proposed at the forthcoming Annual General Meeting.

By order of the Board

Nicholas O'Shea  
*Company Secretary*

23 July 2015

## 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 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 5 years.

With the growth of the Company and increasingly prescriptive compliance requirements, the Board is reviewing 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	Company Secretary and Non-executive Director
Mary Carney	Senior Independent Non-executive Director
William Glencross	Non-executive Director
Philippa Clark	Global Sales & Marketing Director (appointed 9 February 2015)
Martin Stevens	Deputy Managing Director (appointed 9 February 2015)
Paul Forster	Director of UK Operations (appointed 9 February 2015)

### 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, she does not hold shares in the company and she does not work in the industry.

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.

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### Corporate governance statement (continued)

The directors have met as a full board on 7 occasions during the year, including meetings by telephone. The attendance at meetings held during the year to 31 March 2015 for each of the directors is as follows:

Director	Board meetings	Remuneration Committee	Audit Committee
William McIlroy	7	-	-
Bernard Johnson	7	-	1
Nicholas O'Shea	6	1	1
Mary Carney	7	1	1
William Glencross	5	-	-
Philippa Clark*	-	-	-
Martin Stevens*	-	-	-
Paul Forster*	1	-	-

Note \*: following their appointment on 9 February 2015, these directors were only in office for one meeting of the board during the year. Their attendance at previous meetings is not included as they were not in office at the time.

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.

The Articles of Association require one third of the Board to retire by rotation each year and for those directors appointed during the year to stand for re-election at the following Annual General Meeting.

#### 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. There were three appointments made during the year which are reported on elsewhere in the Director's Report.

#### Remuneration Committee

The Remuneration Committee consisted of Mary Carney 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 are 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. The company has a policy that share options may not be granted to non-executive directors.

Full details of directors' remuneration, shareholdings and share options are noted in the Directors' Remuneration Report on pages 15 to 20.

**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 Turnbull Committee.

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 the effectiveness of the internal controls in operation and this process will continue.

**Audit Committee**

The Audit Committee consists of Mary Carney 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 performance, business model and strategy;
- Report to the Board on how it has discharged its responsibility.

The terms of reference of the Audit Committee are not currently set out in writing.

The Group receives non-audit taxation advice from the Group's auditor. The Audit Committee assesses the independence of the external auditor by means of an internal review of the relationship with the auditor.

**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 and on an ad hoc basis, subject to normal disclosure rules.

**Directors' remuneration report**

This report is on the activities of the Remuneration Committee for the year to 31 March 2015. 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 2014 Annual General Meeting and the policy took effect for the financial year beginning on 1 April 2015. 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 2015 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 2015 the Remuneration Committee proposed that the fees paid to Mr Bernard Johnson's service company were increased from £79,000 to £82,142. There were no other changes in the remuneration of the executive or non-executive directors.

It is envisaged that the remuneration components for executive directors for the year ended 31 March 2016 will be similar to those in place for the year ended 31 March 2015 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 2015 and 31 March 2014. 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	2015				2014			
		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	-	47	-	47	-	29	-	29
BJM Johnson	2	92	47	-	139	89	29	-	118
P Clark	3	11	1	-	12	-	-	-	-
M Stevens	3	11	1	1	13	-	-	-	-
P Forster	3	10	1	1	12	-	-	-	-
<b>Total</b>		<b>124</b>	<b>97</b>	<b>2</b>	<b>223</b>	<b>89</b>	<b>58</b>	<b>-</b>	<b>147</b>



## Creightons Plc Annual Report 2015

### Directors' remuneration report (continued)

The remuneration of the non-executive directors for the years ended 31 March 2015 and 31 March 2014 is made up as follows:

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

Director	Note	2015			2014		
		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		8	-	8	8	-	8
NDJ O'Shea	4	12	-	12	12	-	12
W T Glencross		12	1	13	12	1	13
<b>Total</b>		<b>32</b>	<b>1</b>	<b>33</b>	<b>32</b>	<b>1</b>	<b>33</b>

Note

- 1 All payments are made to Mr McIlroy's service company, Lesmac Securities Limited.
- 2 Mr Johnson earns a salary of £10,000 per annum with all other payments made to his service company, Carty Johnson Limited.
- 3 Figures show the earnings for the Directors since their appointments on 9 Feb 2015.
- 4 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.

#### 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 2015 and therefore no payments in respect of compensation for loss of office were paid or payable to any director (2014 - nil).

#### Share options

The directors did not exercise any share options during the year ended 31 March 2015.

#### Directors' shareholdings

The directors who held office at 31 March 2015 had the following beneficial interests in the 1p ordinary shares of the company:

Director	31 March 2015		1 April 2014	
	Number of shares	Options	Number of shares	Options
Mr William O McIlroy	16,219,275	1,300,000	16,219,275	-
Mr Bernard JM Johnson	4,787,844	1,300,000	4,787,844	-
Mr Nicholas DJ O'Shea	31,000	-	31,000	-
Mr William T Glencross	67,500	-	67,500	-
Ms P Clark	401,818	500,000	-	-
Mr M Stevens	181,818	800,000	-	-
Mr P Forster	549,318	700,000	-	-

Mr McIlroy's holding noted above includes 14,450,000 (2014: 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.

There have been no changes between 31 March 2015 and 20 July 2015.

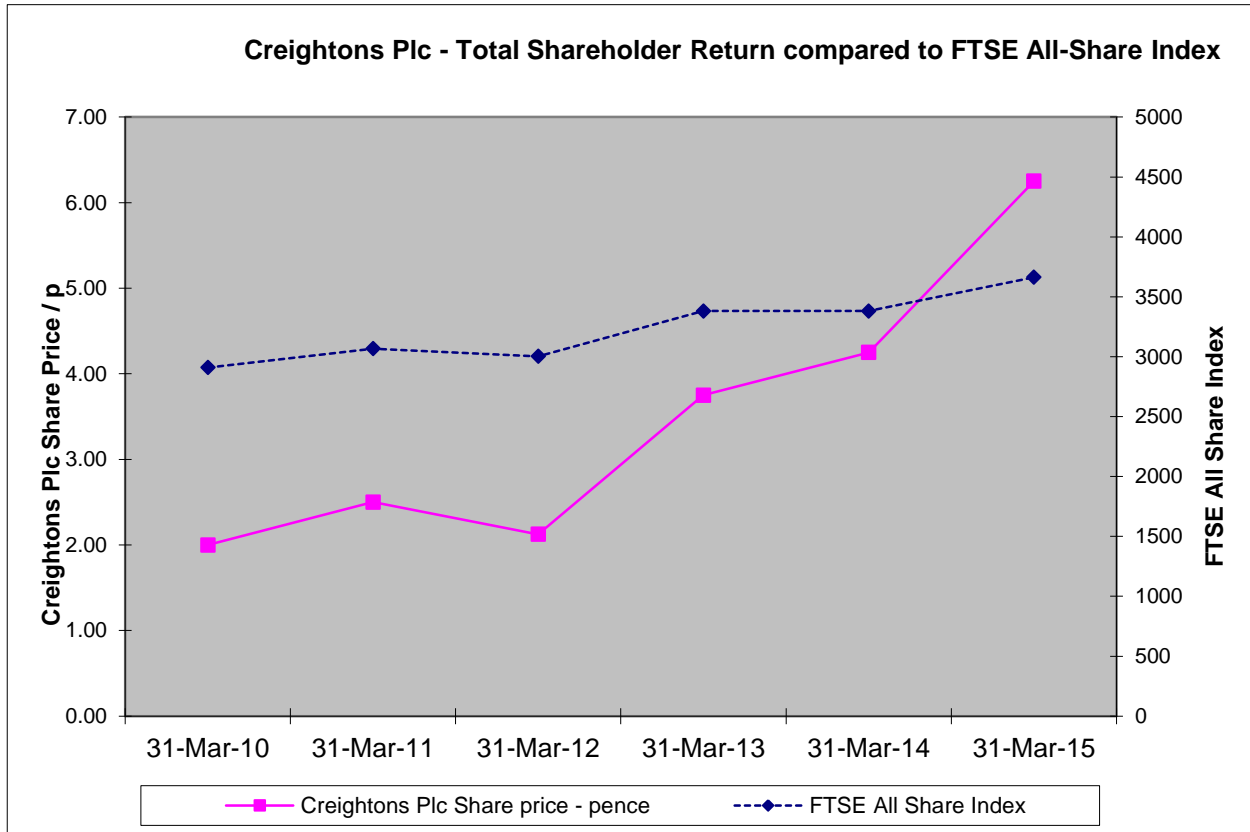
## Creightons Plc Annual Report 2015

### Directors' remuneration report (continued)

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

#### Performance graph and CEO remuneration table

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



#### Table of Historical Data

The table below sets out the remuneration of the director undertaking the role of Chief Executive officer.

Year	CEO Single figure of total remuneration £000's	Annual bonus pay-out against maximum %
2015	47	100%
2014	29	100%
2013	20	100%
2012	16	100%
2011	12	100%
2010	20	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 director undertaking the role of Chief Executive Officer and the Group's employees as a whole between the years ended 31 March 2014 and 31 March 2015.

	Percentage increase in remuneration in 2015 compared with remuneration in 2014	
	CEO	Employees
Salary and Fees	n/a	5.0%
All taxable benefits	n/a	0.0%
Annual bonus	62%	5.0%
<b>Total</b>	<b>62%</b>	<b>5.0%</b>

## Creightons Plc Annual Report 2015

### Directors' remuneration report (continued)

#### 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 2015 and 31 March 2014 and the year on year change.

	Year ended 31 March 2015	Year ended 31 March 2014	Change
	£000's	£000's	%
Employee costs	5,491	4,862	12.9
Profit for the year	851	471	80.7

#### Service contracts

Mrs Mary Carney, Mr Nicholas O'Shea and Mr William Glencross have service contracts which provide for no notice period.

#### 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 in respect of the year ended 31 March 2014:

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
8,142,165	99.97	2,525	0.03	8,144,690	10,000

No reasons were sought for the votes cast against the remuneration report due to the small number of votes cast against the report.

#### 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 has been one meeting of the Committee during the period, attended by both Ms Carney and Mr O'Shea.

##### Policy on directors' remuneration

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

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

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

**Directors' remuneration report** (continued)

**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 the first quarter of 2014-15, but no changes were proposed to the executive directors' remuneration packages. 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 2015, 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 Lesmac Securities 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. A further bonus of 10% of the net sale proceeds is also payable to Lesmac Securities Limited 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.

**Executive share option scheme**

The policy of the company is to grant share options to executive directors and other senior managers as an incentive to enhance shareholder value. A resolution was approved during the year to authorise a new share option scheme which will further incentivise the executive directors and the senior managers in the Group to further enhance shareholder value.

**Employee shareholder scheme**

During the year the directors approved the issue of shares under the government's employee shareholder scheme, where the employee gives up statutory rights which have been replaced by contractual rights in line with guidance issued by HMRC, in return the employee takes on extra responsibilities.

**Service contracts**

Name of Director	Date of service contract	Date contract last amended	Notice period
WO McIlroy (chairman's contract)	6 Feb 2003		12 months
WO McIlroy (director's contract with employer)	16 Jan 2002		12 months
BJM Johnson (director's contract)	16 Jan 2002		12 months
BJM Johnson (manager's contract with employer)	16 Jan 2002	20 Mar 2003	12 months
MT Carney (non-executive)	29 Nov 1999	1 Jan 2002	None
NDJ O'Shea (non-executive)	5 Jul 2001		None
WT Glencross (non-executive)	31 Jul 2005	1 Sep 2006	None
P Clark (Global Sales & Marketing Director)	9 Feb 2015		3 months
M Stevens (Deputy Managing Director)	9 Feb 2015		3 months
P Forster (Director of UK Operations)	9 Feb 2015		3 months

It is the company's policy that service contracts for the directors are for an indefinite period, terminable by either party with a maximum period of notice of 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.

**Directors' remuneration report** (continued)

Non-executive directors may not be granted share options nor 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 23 July 2015 and signed on its behalf by:

Mr Nicholas O'Shea  
*Company Secretary*

### Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

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 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:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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. 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and a corporate governance statement that comply with that law and those regulations.

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 performance and business model and strategy.

By order of the board

Bernard Johnson  
Managing Director  
23 July 2015

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREIGHTONS PLC

We have audited the Group financial statements of Creightons plc for the year ended 31 March 2015 which comprise the consolidated and company income statements, the consolidated and company statements of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

#### Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the remainder of the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

The Group operates through two trading subsidiary undertakings and the Group's financial statements consolidate these entities together with a number of dormant subsidiary undertakings as set out in note 15. 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 all subsidiaries considered to be significant components of the Group, in particular the trading subsidiaries and the parent company, which were all subject to full scope audits.

We tested and examined information using controls testing and substantive techniques to the extent considered necessary to provide us with sufficient audit evidence 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 misstatements mentioned below.

#### Our assessment of risks of material misstatement

We considered the following two areas to be those that required particular focus in the current year, as both are the principal areas that influence the reported results and the achievement of management targets. This is not a complete list of all areas of risk identified in our audit but summarises the key areas which were highlighted with the Audit Committee in our planning discussions:

- Revenue recognition - we performed substantive testing relating to revenue recognition as well as analytical procedures, in particular in relation to year end cut-off and the issue of credit notes;
- Inventory valuation - we considered the appropriateness of inventory provisions, challenged management regarding the basis of their estimation and reviewed the outcome of prior year provisions.

#### Our application of materiality

We set certain thresholds for materiality based on a weighted calculation of revenue and assets criteria. These helped us to establish transactions and misstatements that are significant to the financial statements as a whole, to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually on balances and on the financial statements as a whole.

Based on our methodology and professional judgement we determined materiality for the Group financial statements as a whole to be £134,000. Furthermore, we calculated a performance materiality for each entity we audited at an appropriate percentage of the overall materiality and applied this in our risk assessments and in determining relevant audit procedures.

We agreed with the Audit Committee that we would report to them the misstatements identified during our audit above £6,700.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2015 and of the Group's and the parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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.

**Opinion 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; and
- the information given in the Group's strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern;
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

David James (Senior Statutory Auditor)  
for and on behalf of Moore Stephens LLP,  
Chartered Accountants and Statutory Auditor  
Russell Square House  
10-12 Russell Square  
London  
WC1B 5LF

23 July 2015



## Creightons Plc Annual Report 2015

### Consolidated income statement

		Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
	Note		
Revenue	5	21,093	19,352
Cost of sales		(12,707)	(11,460)
<b>Gross profit</b>		<b>8,386</b>	<b>7,892</b>
Distribution costs		(922)	(802)
Administrative expenses		(6,966)	(6,587)
<b>Operating profit</b>	<b>7</b>	<b>498</b>	<b>503</b>
Profit on disposal of TS Ventures Ltd	31	375	-
<b>Profit after exceptional item</b>		<b>873</b>	<b>503</b>
Finance costs	9	(22)	(32)
<b>Profit after exceptional items and before tax</b>		<b>851</b>	<b>471</b>
Taxation	10	-	-
<b>Profit for the year from continuing operations attributable to the equity shareholders of the parent company</b>		<b>851</b>	<b>471</b>

### Earnings per share

Basic	11	1.43p	0.81p
Diluted	11	1.27p	0.79p

### Company income statement

		Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Revenue		169	-
Administration expenses		(12)	-
<b>Profit for the year attributable to the equity shareholders</b>		<b>157</b>	<b>-</b>

## Creightons Plc Annual Report 2015

### Consolidated statement of comprehensive income

		Year ended 31 March	Year ended 31 March
		2015	2014
		£000	£000
Profit for the year		851	471
Exchange differences on translating foreign operations		(2)	42
Total comprehensive income for the year attributable to the equity shareholders of the parent		849	513

### Company statement of comprehensive income

		Year ended 31 March	Year ended 31 March
		2015	2014
		£000	£000
Profit for the year		157	-
Total comprehensive income for the year		157	-

**Creightons Plc Annual Report 2015**

**Consolidated balance sheet**

		<b>31 March</b>	<b>31 March</b>
		<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Non-current assets</b>			
Goodwill	12	331	343
Other intangible assets	13	283	259
Property, plant and equipment	14	574	590
		<b>1,188</b>	<b>1,192</b>
<b>Current assets</b>			
Inventories	16	4,074	3,704
Trade and other receivables	17	3,591	3,464
Cash and cash equivalents	18	9	11
Derivative financial instruments	19	17	-
		<b>7,691</b>	<b>7,179</b>
<b>Total assets</b>		<b>8,879</b>	<b>8,371</b>
<b>Current liabilities</b>			
Trade and other payables	20	2,956	2,777
Obligations under finance leases	21	22	20
Borrowings	22	84	613
Derivative financial instruments	19	13	-
		<b>3,075</b>	<b>3,410</b>
<b>Net current assets</b>		<b>4,616</b>	<b>3,769</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	21	7	28
		<b>7</b>	<b>28</b>
<b>Total liabilities</b>		<b>3,082</b>	<b>3,438</b>
<b>Net assets</b>		<b>5,797</b>	<b>4,933</b>
<b>Equity</b>			
Share capital	23	596	584
Share premium account		1,248	1,264
Other reserves	24	25	38
Currency reserve		(10)	(13)
Retained earnings		3,938	3,060
<b>Total equity attributable to the equity shareholders of the parent company</b>		<b>5,797</b>	<b>4,933</b>

These financial statements were approved by the board of directors and authorised for issue 23 July 2015. They were signed on its behalf by:

Bernard Johnson  
Managing Director

## Creightons Plc Annual Report 2015

### Company balance sheet

		31 March 2015	31 March 2014
	Note	£000	£000
<b>Non-current assets</b>			
Investment in subsidiaries	15	60	72
		<b>60</b>	<b>72</b>
<b>Current assets</b>			
Trade and other receivables	17	2,305	2,126
		<b>2,305</b>	<b>2,126</b>
<b>Total assets</b>		<b>2,365</b>	<b>2,198</b>
<b>Current liabilities</b>			
Trade and other payables	20	35	35
		<b>35</b>	<b>35</b>
<b>Net current assets</b>		<b>2,270</b>	<b>2,091</b>
<b>Total liabilities</b>		<b>35</b>	<b>35</b>
<b>Net assets</b>		<b>2,330</b>	<b>2,163</b>
<b>Equity</b>			
Share capital	23	596	584
Share premium account		1,248	1,264
Capital redemption reserve		18	18
Special reserve		-	1,441
Retained earnings		468	(1,144)
<b>Total equity attributable to the equity shareholders of the parent company</b>		<b>2,330</b>	<b>2,163</b>

These financial statements were approved by the board of directors and authorised for issue on 23 July 2015. They were signed on its behalf by:

Bernard Johnson  
Managing Director

**Company registration number 1227964**

## Creightons Plc Annual Report 2015

### Consolidated statement of changes in equity

	Share capital	Share premium account	Other reserves (note 24)	Share-based payment reserve	Currency reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2013	545	1,231	38	51	(55)	2,530	4,340
Share issues	39	33	-	-	-	-	72
Exchange differences on translation of foreign operations	-	-	-	-	42	-	42
Share-based payment charge	-	-	-	8	-	-	8
Transfer – see note below	-	-	-	(59)	-	59	-
Profit for the year	-	-	-	-	-	471	471
At 31 March 2014	584	1,264	38	-	(13)	3,060	4,933
Issue of employee shares	12	(12)	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	(2)	-	(2)
Employee share holder scheme charge	-	(4)	-	-	-	-	(4)
Share-based payment charge	-	-	-	-	-	14	14
Transfer	-	-	(13)	-	-	13	-
Charge in relation to derivative financial instruments	-	-	-	-	5	-	5
Profit for the year	-	-	-	-	-	851	851
At 31 March 2015	596	1,248	25	-	(10)	3,938	5,797

### Company statement of changes in equity

	Share capital	Share premium account	Capital redemption reserve	Special reserve	Share-based payment reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2013	545	1,231	18	1,441	51	(1,203)	2,083
Share issues	39	33	-	-	-	-	72
Share based payment charge	-	-	-	-	8	-	8
Transfer – see note below	-	-	-	-	(59)	59	-
At 31 March 2014	584	1,264	18	1,441	-	(1,144)	2,163
Issue of employee shares	12	(12)	-	-	-	-	-
Employee share holder scheme charge	-	(4)	-	-	-	-	(4)
Share-based payment charge	-	-	-	-	-	14	14
Transfer – see note 24	-	-	-	(1,441)	-	1,441	-
Profit for the year	-	-	-	-	-	157	157
At 31 March 2015	596	1,248	18	-	-	468	2,330

During the previous year, the Directors released the share-based payment reserve to retained earnings as allowed under IFRS 2 (Share-based Payment).

**Creightons Plc Annual Report 2015**

**Consolidated cash flow statement**

		Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
	Note		
<b>Net cash from operating activities</b>	<b>30</b>	<b>677</b>	<b>689</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(159)	(211)
Purchase of intangible assets		(358)	(258)
Proceeds on disposal of Twisted Sista		387	-
<b>Net cash used in investing activities</b>		<b>(130)</b>	<b>(469)</b>
<b>Financing activities</b>			
Repayment of finance lease obligations		(19)	(19)
Proceeds on issue of shares		-	72
Repayment of bank loans and invoice finance facilities		(529)	(279)
<b>Net cash used in financing activities</b>		<b>(548)</b>	<b>(226)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1)</b>	<b>(6)</b>
Cash and cash equivalents at start of year		<b>11</b>	<b>18</b>
Effect of foreign exchange rate changes		(1)	(1)
<b>Cash and cash equivalents at end of year</b>		<b>9</b>	<b>11</b>

**Company cash flow statement**

		Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
	Note		
<b>Net cash used in operating activities</b>	<b>30</b>	<b>-</b>	<b>(72)</b>
<b>Financing activities</b>			
Proceeds of share issue		-	72
<b>Net cash generated from financing activities</b>		<b>-</b>	<b>72</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>

## Notes to the financial statements

### 1. General information

Creightons Plc (the Company) was incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 52; 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 4 to 7.

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

There have been no new IFRS, IAS or amendments to existing standards requiring implementation by the Group in the year ended 31 March 2015.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 April 2014 are:

- *IFRS 9 Financial Instruments (effective 1 January 2018)*
- *IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)*
- *IFRS 15 Revenue from contracts with customers (effective 1 January 2017)*

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Initial application of new IFRS and International Financial Reporting Interpretations Committee interpretations effective for current reporting period or any amendments to such standards have been reflected in these financial statements. Application of these did not have a material impact on the financial statements and did not require a change in any significant accounting policies.

### 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, except for the revaluation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. 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. 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.

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### 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 the preparing the financial statements. Further detail is included in the strategic report on pages 4 to 7.

#### 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 acquiree. 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 acquiree, 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 acquiree and the fair value of the acquirer's previously held interests in the acquiree (if any), the excess is recognised immediately in the profit or loss as a purchase gain.

#### Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is 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

Revenue is measured at the fair value of the consideration received or receivable in the year and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree normally associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### 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 against income 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.

#### Foreign currencies

The individual financial statements of each group company are presented 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 operations, 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.

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Operating profit

Operating profit is stated before investment income and finance costs.

#### Retirement benefit costs

The Group companies contribute to a defined contribution retirement benefit scheme.

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

The Group also set up an auto-enrolment pension scheme during the year.

#### Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

##### *Current tax*

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

##### *Deferred tax*

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

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

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

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

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

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

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

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### 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.

#### Research and development expenditure

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

An internally generated intangible asset arising from the Group's product development is recognised only if the following conditions are met:

- an asset is created that can be identified with a specific product or range of products;
- it is probable that the asset created will generate future economic benefits; and
- the development cost 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:

Acquired licences	- Over three years
Computer software	- Over three to five years

#### Impairment of tangible and intangible assets excluding goodwill

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.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit

## Notes to the financial statements

### 3 Significant accounting policies (continued)

or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 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 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 and liabilities

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

Trade receivables are initially recognised at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence, such as an increase in delayed payments, that the asset is impaired.

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of change of value.

Trade payables and loans are initially measured at their cost which approximates to their fair value.

#### Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to hedge against foreign exchange rate risk where considered appropriate. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends upon the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of the recognised assets, liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investment in foreign operations.

A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are treated as current assets or liabilities.

#### Hedge accounting

The group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risks as either fair value hedges or cash flow hedges. Hedges of foreign exchange on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the hedge relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 19 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity within the currency reserve.

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### Cash flow hedge

The effective portion of change in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred and recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains or losses' line of the income statement.

Amounts deferred in equity are recycled in profit or loss in the period when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However when the forecast transaction that is hedged results in recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

#### 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 25.

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.

### 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 judgement that has the most significant effect on the amounts recognised in the financial statements.

Corporation tax - A judgement is required in determining the provision for corporation tax. There are some calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognises tax liabilities on the best estimate of whether tax liabilities will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which such determination is made. No deferred tax asset has been accounted for due to the economic and trading uncertainties facing the Group.

#### *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 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. No impairment provision was considered necessary against this carrying value.

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.

Provisions - The Group assesses provisions as the directors' best estimate of the expenditure required to settle obligations at the balance sheet date. These estimates are made taking account of information available and different possible outcomes. Estimates relating to the net realisable value of inventories and recoverability of trade receivables are areas where the directors' best estimates have been applied in the current financial year.

### 5 Revenue

All of the Group's revenue is derived from the sale of goods. No adjustment has been made for discontinued operations as they are not material.

**Notes to the financial statements**

**6 Business and geographic segments**

This section is no longer required as the Group no longer has more than one material reporting segment.

**7. Operating profit**

Operating profit is stated after charging/(crediting):

	<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2014 £000</b>
Net foreign exchange loss	5	42
Cost of inventories recognised as expense	12,709	11,460
Write downs of inventories recognised as an expense	207	176
Research and development costs	348	301
Depreciation of property plant and equipment		
-Owned assets	158	129
-Leased assets	17	17
Amortisation of intangible assets (included in administrative expenses)	334	293
Staff costs	5,491	4,862
Auditor's remuneration	39	30
Operating lease rental expense		
- Land & buildings	350	350
- Other	34	34

The analysis of auditor's remuneration is as follows:

	<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2014 £000</b>
Audit services		
Fees payable to the company's auditor for the audit of the parent company and the consolidated financial statements	24	22
Fees payable to the company's auditor for other services:		
- The audit of the company's subsidiaries, pursuant to legislation	6	6
- Tax services	9	2

**Notes to the financial statements**

**8. Staff costs**

The average number of employees (including directors) was:

		<b>Year ended 31 March 2015 Number</b>	<b>Year ended 31 March 2014 Number</b>
Management		8	9
Administration		53	48
Production		166	140
<b>Total</b>		<b>227</b>	<b>197</b>

Their aggregate remuneration comprised:

		<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2014 £000</b>
Wages and salaries		4,970	4,433
Social security costs		456	406
Pension contributions		65	23
<b>Total</b>		<b>5,491</b>	<b>4,862</b>

Details of directors' emoluments are set out in the directors' remuneration report.

**9. Finance costs**

		<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2014 £000</b>
Interest on bank overdrafts and loans		20	29
Interest on obligations under finance leases		2	3
<b>Total</b>		<b>22</b>	<b>32</b>

**10. Taxation**

		<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2014 £000</b>
Current tax		-	-
Deferred tax		-	-
<b>Total</b>		<b>-</b>	<b>-</b>

**Notes to the financial statements**

**10. Taxation** (continued)

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

	<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2015 %</b>	<b>Year ended 31 March 2014 £000</b>	<b>Year ended 31 March 2014 %</b>
Profit before taxation	851		471	
Tax charge at the UK corporation tax rate of 21% (2014 - 23%)	(179)	(21.0)	(108)	(23.0)
Tax effect of expenses that are not deductible in determining taxable profit	(4)	(0.6)	(2)	(0.5)
Tax effect of utilisation of brought forward tax losses	183	21.6	110	23.5
Total expense and effective rate for the year	-	-	-	-

There is no charge to deferred tax for the Group or the company.

At the balance sheet date, the Group has unused tax losses of £1,565,000 (2014 - £2,207,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. All losses may be carried forward indefinitely and utilised against profits of the same trade.

**11. Earnings per share**

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

	<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2014 £000</b>
<b>Earnings</b>		
Net profit attributable to the equity holders of the parent company	851	471

	<b>Year ended 31 March 2015 Number</b>	<b>Year ended 31 March 2014 Number</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	59,537,243	58,355,426
Effect of dilutive potential ordinary shares relating to share options	7,405,000	1,570,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	66,942,243	59,925,426

**Earnings per share before exceptional item**

Basic	0.80p	0.81p
Diluted	0.71p	0.79p



**Notes to the financial statements**

**12. Goodwill**

	<b>Year ended 31 March</b>
	<b>£000</b>
<b>Cost</b>	
At 1 April 2013 and 31 March 2014	379
Disposal	(12)
At 31 March 2015	367
<b>Accumulated impairment losses</b>	
At 1 April 2013, 1 April 2014 and 31 March 2015	36
<b>Carrying amount</b>	
At 1 April 2013 and 31 March 2014	343
At 31 March 2015	331

Goodwill relates to the Potter & Moore business acquired in March 2003 and the costs associated with setting up TS Ventures Ltd in August 2010 which was sold on 23 May 2014 - see note 31.

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.

**13. Other intangible assets**

**Group**

	<b>Computer software</b>	<b>Product development costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At 1 April 2013	106	870	976
Additions	8	250	258
Disposals	-	(139)	(139)
At 31 March 2014	114	981	1,095
Additions	4	354	358
Disposals	-	(56)	(56)
At 31 March 2015	118	1,279	1,397
<b>Accumulated amortisation</b>			
At 1 April 2013	76	605	681
Amortisation for the year	16	277	293
Disposals	-	(138)	(138)
At 31 March 2014	92	744	836
Amortisation for the year	9	326	334
Disposals	-	(56)	(56)
At 31 March 2015	101	1,014	1,114
<b>Carrying value</b>			
At 1 April 2013	30	265	295
At 31 March 2014	22	237	259
At 31 March 2015	18	265	283

**Notes to the financial statements**

**14. Property, plant and equipment**

**Group**

	<b>Property, plant and equipment</b>
	<b>£000</b>
<b>Cost</b>	
At 1 April 2013	2,239
Additions	211
Disposals	(32)
At 31 March 2014	2,418
Additions	159
Disposals	-
At 31 March 2015	2,577
<b>Accumulated depreciation</b>	
At 1 April 2013	1,714
Depreciation for the year	146
Disposals	(32)
At 31 March 2014	1,828
Depreciation for the year	175
Disposals	-
At 31 March 2015	2,003
<b>Carrying value</b>	
At 1 April 2013	525
At 31 March 2014	590
At 31 March 2015	574

Included within property, plant and equipment are assets held under finance leases with a carrying value of £76,000 (2014 - £93,000) on which depreciation of £17,000 (2014 - £17,000) has been charged during the year.

**15. Investment in subsidiaries**

**Company**

	<b>Investments</b>
	<b>£000</b>
<b>Cost</b>	
At 1 April 2013 and 1 April 2014	75
Additions	-
At 31 March 2015	75
<b>Impairment charge</b>	
At 1 April 2013, 1 April 2014 and 31 March 15	3
Disposal	12
At 31 March 2015	15
<b>Carrying value</b>	
At 1 April 2013	72
At 31 March 2014	72
At 31 March 2015	60

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### Notes to the financial statements

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

Details of the company's subsidiaries at 31 March 2015 and 31 March 2014 are as follows:

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%
The Real Shaving Company Limited	England	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 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%
We Only Want You For Your Body Limited	England	55%
Potter & Moore International Ltd	England	100%
The Herbal Hair Company Ltd	England	100%
Curl Therapy Limited	England	100%

All shareholdings are in ordinary shares.

The activity of Potter & Moore Innovations Limited is the creation and manufacture of toiletries and fragrances. The activity of Potter and Moore International Inc. is a distribution of personal care products. All other subsidiaries were dormant throughout the years ended 31 March 2015 and 31 March 2014 and are therefore exempt from preparing and filing individual accounts in accordance with the Companies Act 2006.

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.

#### 16. Inventories

	Group		Company	
	2015 £000	2014 £000	2014 £000	2014 £000
Raw materials	1,039	1,085	-	-
Work in progress	361	267	-	-
Finished goods	2,674	2,352	-	-
	4,074	3,704	-	-

Inventories with a carrying value of £4,074,000 (2014 - £3,704,000) have been pledged as security for the Group's bank overdrafts. Directors believe that net realisable value approximates to fair value.

**Notes to the financial statements**

**17. Trade and other receivables**

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade receivables	3,413	3,337	-	-
Amounts receivable from subsidiaries	-	-	2,297	2,126
Prepayments and other receivables	178	127	-	-
	3,591	3,464	2,297	2,126

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.

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

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade receivables	3,416	3,361	-	-
Less impairment provision	(3)	(24)	-	-
	3,413	3,337	-	-

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

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
At 1 April	24	24	-	-
Charge in current year income statement	(21)	-	-	-
At 31 March	3	24	-	-

There were £139,000 (2014 - £111,000) trade receivables that were overdue at the balance sheet date that have not been provided against. There are no indications as at 31 March 2015 that the debtors will not meet their payment obligations in respect of the amount of trade receivables recognised in the balance sheet that are overdue and not provided. The proportion of trade receivables at 31 March 2015 that were overdue for payment was 4.1% (2014 - 3.3%).

**18. 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:

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Cash at bank and in hand	1	1	-	-
Sterling equivalent of deposit denominated in US dollars	8	-	-	-
Sterling equivalent of deposit denominated in Euro's	-	10	-	-
	9	11	-	-

**Notes to the financial statements**

**19. 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 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 in the UK and North America are with retail customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Impairment provisions on trade receivables have been disclosed in note 17.

**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 weighted average borrowings over the year assuming a 1% increase or decrease which is used when reporting interest rate risk internally to key management personnel.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2015 would increase/decrease by £6,000 (2014 - £12,000). The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in the average working capital facilities used in the year.

**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 9% (2014 - 11%) of the Group's income is denominated in US dollars and 1% (2014 - 1%) in Euros. Approximately 4% (2014 - 7%) of the Group's expenditure is denominated in US dollars and 4% (2014 - 5%) in Euros.

**Foreign currency sensitivity**

A 5% strengthening of sterling would result in a £34,000 (2014 - £44,000) reduction in profits and equity. A 5% weakening in sterling would result in a £37,000 (2014 - £49,000) increase in profits and equity.

When appropriate the Group utilises currency derivatives to hedge against significant future transactions and cash flows. The Group is party to a foreign currency forward contract in the management of its exchange risk exposure at 31 March 2014 (2013 - nil). The instruments purchased are in the currency used by the Group's principal overseas suppliers.

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.

**Current assets**

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Derivatives that are designated and effective as hedging instruments carried at fair value				
Forward foreign currency contracts	17	-	-	-
	<b>17</b>	-	-	-

**Notes to the financial statements**

**19. Financial instruments and treasury risk management (continued)**

**Current liabilities**

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Financial assets carried at fair value through the profit or loss				
Forward foreign currency contracts	13	-	-	-
	<b>13</b>	-	-	-

The Group has entered into forward exchange contracts (for terms not exceeding 12 months) to hedge the exchange rate risk arising from commitments to purchase raw materials denominated in Euros and to sell in US dollars, which are designated as cash flow hedges.

**Liquidity risk**

The Group has no long term borrowing requirements and manages its working capital requirements through overdrafts and invoice finance facilities. These facilities are due to be renewed in March 2016. 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 2015 the group had available £3,166,000 (2014 - £2,300,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The directors do not consider that a more detailed maturity analysis is necessary.

**20. Trade and other payables**

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade payables	2,178	1,823	-	-
Social security and other taxes	402	499	-	-
Accrued expenses	376	455	-	-
Amounts payable to subsidiary undertakings	-	-	35	35
	<b>2,956</b>	<b>2,777</b>	<b>35</b>	<b>35</b>

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

**21. Obligations under finance leases**

**Group**

	Minimum lease payments	
	2015 £000	2014 £000
Amounts payable under finance leases		
Within one year	22	20
Between two to five years	7	28
Total minimum lease payments	<b>29</b>	<b>48</b>

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 obligations under finance leases are secured by the lessors' rights over the leased assets.

**Notes to the financial statements**

**22. Bank overdrafts and loans**

	Group		Company	
	2015	2014	2014	2014
	£000	£000	£000	£000
Bank overdraft	16	260	-	-
Borrowings under invoice finance facilities	68	353	-	-
	84	613	-	-

The borrowings are repayable on demand or within one year.

Borrowings totalling £29,000 (2014 - £271,000) 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	
	2015	2014	2015	2014
	%	%	%	%
Bank overdrafts	3.2	3.2	-	-
Borrowings under invoice finance facilities	2.7	2.7	-	-

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.

**23. Share capital**

	Ordinary shares of 1p each	
	£000	Number
At 1 April 2013	545	54,478,876
Issued in the year	39	3,876,550
At 31 March 2014	584	58,355,426
Issued in the year	12	1,181,817
At 31 March 2015	596	59,537,243

The company has one class of ordinary shares which carry no right to fixed income. All of the share are issued and fully paid. The total proceeds from the issue of shares in the year was Nil (2014 - £72,000), as the shares were issued from the share premium account.

**24. Other reserves**

**Group**

	Capital reserve	Special Reserve	Capital redemption reserve	Total Other reserves
	£000	£000	£000	£000
At 1 April 2013 and 31 March 2014	7	13	18	38
Transfer of special reserve	-	(13)	-	(13)
At 31 March 2015	7	-	18	25

The company obtained a court ruling dated 19 March 1997 under which a reduction in share premium was credited to a special reserve. The special reserve was first used to write off the deficit on the company profit and loss account and then to write off the goodwill arising on the acquisition of Crestol Limited to the Group profit and loss account. At 31 March 2015 goodwill written off amounts to £2,575,000 (2014 - £2,575,000).

Under the court ruling, the special reserve may be used to write off goodwill on any further acquisition. To the extent that there shall remain any sum standing to the credit of the reserve, it shall be treated as unrealised profit and as a non-distributable reserve, until such time as the creditors existing at the date of the ruling have been satisfied or consent to its distribution.

**Notes to the financial statements**

The company, after taking legal advice, has concluded that all of the creditors referred to in the court ruling have been satisfied. The balance on the special reserve has been transferred to retained earnings.

**25. 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.

	<b>Ordinary shares of 1p each</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Number</b>	<b>Weighted average exercise price</b>	<b>Number</b>	<b>Weighted average exercise price</b>
Outstanding at the beginning of the period	1,570,000	2.48p	5,126,550	1.93p
Exercised in the period	-	-	(3,876,550)	(1.90p)
Granted in the period	6,200,000	5.50p	320,000	4.29p
Lapsed in the period	(365,000)	(2.73p)	-	-
Outstanding at the end of the period	7,405,000	5.00p	1,570,000	2.48p

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

<b>Granted</b>	<b>Exercise period</b>	<b>Number</b>	<b>Exercise price</b>
January 2007	2010 - 2017	50,000	4.75p
December 2008	2011 - 2018	200,000	1.38p
February 2011	2014 - 2021	750,000	2.00p
July 2013	2016 - 2023	25,000	4.50p
December 2013	2016 - 2023	180,000	4.25p
November 2014	2017 - 2024	6,200,000	5.50p
Outstanding at the end of the period		7,405,000	5.00p

The weighted average contractual life for the outstanding options based on last exercise date is 9.0 years.

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:

	<b>Year ended 31 March 2015</b>	<b>Year ended 31 March 2014</b>
Weighted average share price (pence)	4.70p	2.48p
Weighted average exercise price (pence)	5.00p	2.48p
Expected volatility (%)	71.4%	102.5 - 115.6%
Expected life -years	3	3
Risk free rate (%)	5.8%	5.8%
Expected dividends (pence)	-	-

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year.

The Group recognised total expenses of £14,000 (2014- £8,000) related to share-based payments.



**Notes to the financial statements**

**26. Retirement benefit scheme**

The Group operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from those of the Group. The Group also entered into the auto-enrolment pension scheme on 1 April 2015.

The charge in the consolidated income statement in the year was £65,000 (2014: £23,000) and cash contributions were £65,000 (2014: £23,000).

**27. 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	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2015 £000	2014 £000	2014 £000	2014 £000
Minimum lease payments under operating leases recognised as an expense in the year	384	384	-	-

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

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
	Total operating leases			
Within one year	370	377	-	-
In the second to fifth years inclusive	1,398	1,424	-	-
After five years	-	345	-	-
<b>Total</b>	<b>1,768</b>	<b>2,146</b>	<b>-</b>	<b>-</b>

**28. Capital commitments**

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
	Contracts placed for future capital expenditure not provided for in the financial statements	11	11	-

**Notes to the financial statements**

**29. Related party transactions**

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

The amounts owed by and to subsidiary companies are:

		<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
		<b>2015</b>	<b>2014</b>
		<b>£000</b>	<b>£000</b>
Amounts receivable from subsidiary undertakings		2,305	2,126
Amounts payable to subsidiary undertakings		(35)	(35)

During the year the company was charged £14,000 (2014: £8,000) by Potter & Moore Innovations Limited in relation to share-based payment charges, transferred cash to Potter & Moore Innovations Limited of £157,000 from the sale of the TS Ventures Limited (2014: £72,000 from share issues) and received £4,000 (2014: £nil) in relation to costs of issue of employee shares.

**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:

		<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
		<b>2015</b>	<b>2014</b>
		<b>£000</b>	<b>£000</b>
Rental charges		350	350
Re-imbusement of property insurance costs		18	18
<b>Total</b>		<b>368</b>	<b>368</b>

Amounts owed to Oratorio Developments Limited

		<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
		<b>2015</b>	<b>2014</b>
		<b>£000</b>	<b>£000</b>
Amounts payable		105	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:

		<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
		<b>2015</b>	<b>2014</b>
		<b>£000</b>	<b>£000</b>
Charges for internet support services		13	14

**Notes to the financial statements**

**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 15 to 20.

	<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2014 £000</b>
Salaries and other short term benefits	254	180
<b>Total</b>	<b>254</b>	<b>180</b>

**30. Notes to cash flow statement**

**Group**

	<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2014 £000</b>
<b>Profit from operations</b>	<b>498</b>	<b>503</b>
Adjustments for:		
Depreciation on property, plant and equipment	175	146
Amortisation of intangible assets	334	293
Share based payment charge	14	8
	<b>1,021</b>	<b>950</b>
Increase in inventories	(370)	(210)
Increase in trade and other receivables	(127)	(661)
Increase in trade and other payables	179	642
Movement in non-cash derivatives	(4)	-
<b>Cash generated from operations</b>	<b>699</b>	<b>721</b>
Interest paid	(22)	(32)
<b>Net cash from operating activities</b>	<b>677</b>	<b>689</b>

**Analysis of changes in net debt**

	<b>At 01 April 2014 £000's</b>	<b>Cash Flow £000's</b>	<b>Non-cash movements £000's</b>	<b>At 31 March 2015 £000's</b>
Cash and bank balances	11	(1)	(1)	9
Borrowings	(613)	529	-	(84)
<b>Net debt</b>	<b>(602)</b>	<b>528</b>	<b>(1)</b>	<b>(75)</b>

**Cash and cash equivalents**

	<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2014 £000</b>
Cash and bank balances	9	11
Bank overdraft and borrowings under invoice finance	(84)	(613)
<b>Net cash and cash equivalents</b>	<b>(75)</b>	<b>(602)</b>

**Notes to the financial statements**

**Company**

	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>Profit from discontinued operations</b>	157	-
Adjustments for:		
Share based payment charge	14	8
Goodwill relating to disposal of TS Ventures Ltd	12	-
Charge in relation to issue of employee share scheme	(4)	-
	<b>179</b>	<b>8</b>
Increase in trade and other receivables	(179)	(80)
<b>Net cash used in operating activities</b>	<b>-</b>	<b>(72)</b>

**31. Profit on disposal of TS Ventures Limited**

On 23 May 2014 the Group completed the disposal of its 55% interest in TS Ventures Limited which holds the intellectual property rights to the Twisted Sista brand of hair care products for a cash consideration of £448,000. The 55% interest in TS Ventures Limited has been sold to Urban Therapy LLC, the owner of the 45% interest not owned by the company. The Group is reporting a profit of £375,000 in the financial report for the year ended 31 March 2015 in relation to the disposal.

**32. Post balance sheet event – Sale of Real Shaving Company brand**

On 28 May 2015 the Group completed the sale of the business and assets of The Real Shaving Company brand including the trademark and associated intellectual property. The consideration comprised £1,000,000, which was paid on completion and £150,000 for stock which was paid subsequently.

The Group post-tax profit arising from the sale of the brand will be £844,000.

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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  
Director of UK Operations

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