CREIGHTONS Plc

Annual Report and Financial Statements
for the year ended 31 March 2008

Contents

Directors, advisers and bankers

Directors	William O McIlroy *Executive Chairman* Bernard JM Johnson *Managing Director* William T Glencross *Non-executive Director* Mary T Carney *Non-executive Director* Nicholas DJ O'Shea *Non-executive Director*
Company Secretary	Nicholas O'Shea, BSc ACMA 16 Lincoln Road Dorking Surrey RH4 1TD
Registered Office	1210 Lincoln Road Peterborough PE4 6ND Registered in England & Wales No 1227964
Auditor	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF
Financial Advisers	Dowgate Capital Advisers Limited 46 Worship Street London EC2A 2EA
Solicitors	Coole & Haddock 5 The Steyne Worthing West Sussex BN11 3DT
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Bankers	HSBC Bank Plc Cathedral Square Peterborough PE1 1XL

Notice of meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Potter & Moore Innovations Ltd, 1210 Lincoln Road, Peterborough, PE4 6ND on 26 August 2008 at 12:00 noon in order to consider and, if thought fit, pass the following resolutions:

1. To receive and approve the Company's financial statements and reports of the directors and auditor for the year ended 31 March 2008.

2. To receive and approve the Directors' remuneration report for the year ended 31 March 2008.

3. To reappoint William McIlroy retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.

4. To reappoint Nicholas O'Shea retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.

5. To reappoint Chantrey Vellacott DFK LLP as auditor and to authorise the directors to determine their remuneration.

6. As an ordinary resolution:

   "That the Company be authorised to communicate with shareholders by electronic means via the company website."

7. As an ordinary resolution:

   "That, in terms of Article 20 of the Company's Articles of Association, the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) of the Company up to an aggregate nominal value of £180,919.85 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution or, if earlier, fifteen months after the passing of this resolution unless previously renewed, varied or revoked by the Company in general meeting and provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired, this authority to replace any existing like authority given prior to the date hereof which is hereby revoked with immediate effect."

8. As a special resolution:

   "That, without prejudice to any existing powers in terms of Article 21 of the Company's Articles of Association, the directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred upon them by section 80 of the said Act by resolution 7 above as if Section 89(I) of the said Act did not apply to any such allotment provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with an offer or issue to or in favour of ordinary shareholders on the register on a date fixed by the directors where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on that date but the directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any regulatory body or stock exchange; and

Notice of meeting

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £27,137.97;

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

9. As a special resolution:

"That the Company be and is hereby generally and unconditionally authorised pursuant to Section 166 of the Companies Act 1985 to make market purchase (as defined in Section 163 (3) of the said Act) of its own ordinary shares of 1p each ("Ordinary Shares") in such a manner and on such terms as the directors may from time to time determine provided that:

(a) the authority hereby conferred shall expire on the earlier of the date which is fifteen months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless renewed or extended prior to or at such meeting, except that the Company may before the expiry of such authority make any contract of purchase of Ordinary Shares which will or might be completed wholly or partly after such expiry and to purchase Ordinary Shares in pursuance of such contract as if the authority conferred hereby had not expired:

(b) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 2,713,797 Ordinary Shares (representing 5% of the Company's issued share capital as at 31 March 2008); and

(c) the maximum price which may be paid for each Ordinary Share pursuant to this authority hereby conferred is an amount equal to 105% of the average of the middle market quotations for Ordinary Shares (derived from The London Stock Exchange Daily Official List) for the five business days prior to the date of purchase and the minimum price of 1p.

By order of the board

Nicholas O'Shea
Company Secretary

1210 Lincoln Road
Peterborough PE4 6ND

29 July 2008

Notice of meeting

Notes

1. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with the company's registrar so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.
2. The return of a completed Proxy Form will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
3. Any person to whom this Notice is sent who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
4. Only shareholders whose names appear on the register of members of the Company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.
5. The statement of the rights of shareholders in relation to the appointment of proxies in note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.
6. As at 29 July 2008, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 54,275,876 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 29 July 2008 are 54,275,876.
7. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.
8. In Accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members at 6:00 pm on the day which is two days before the day of the meeting or, if the meeting is adjourned, shareholders entered on the Company's register of members at 6:00 pm on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.

Chairman's statement

Review of the year

As I reported to you last November with our interim report for the first half of the financial year, we have been driving to expand our business, and as you will see below, I am pleased to be able to say that we have continued the growth I told you about then.

We have also been focusing on developing our higher margin business, discontinuing products with lower margins, whilst continuing to strive to be a low cost producer in what is an increasingly competitive and price conscious commercial environment. We have experienced significant price resistance from not only our own customers, both the High Street supermarkets and specialist retailers for whom we manufacture private label branded products and undertake contract manufacture, but also consumers who buy our own branded products through these outlets.

Development of our own brands has continued apace, with the launch of The Real Shaving Company's products in the North American market, where we established a new wholly-owned subsidiary to manage sales and marketing in May 2007. We recently launched the Natural Grooming range of shaving products in the UK, and continue to roll-out new private label brands.

Financial results

Consolidated Group sales this year were up £2,452,000 (an increase of 19.0%) at £15,369,000 (2007 – £12,917,000). This significantly improved result has been achieved mainly through increases in the volume of private label and contract manufactured product. Sales and gross profit were again up in the second half of the year due to seasonal contractual business at Christmas.

Operating profit before tax for the year was £670,000 (2007 – £461,000) a 45.3% increase of £209,000. Several factors contributed to this increase being significantly ahead of sales growth, including the flow through of cost saving initiatives invested in during previous years which I have previously reported to you, continued focus on achieving low-cost producer status despite significant cost inflation, and further rationalisation of our product ranges to eliminate low margin items or contracts.

We have experienced an increase in interest charges, mainly as a result of financing higher levels of inventory during the year which were required to service new branded and private label product introductions.

Profit after tax of £503,000 (2007 – £383,000) shows a very satisfactory growth of £120,000, 31.3% over last year, with diluted earnings per share of 0.84p (2007 – 0.65p). The directors do not consider it is in the best interests of the Company to declare a dividend at the moment, using the funds generated from this year's successful trading to reduce the Group's borrowings.

Current year developments

As in previous years, the Group continues to develop and strengthen its branded portfolio, with new brands launched into the premium and middle markets.

Since the beginning of the current financial year however, a number of adverse factors have started to affect our business, including the down-turn in consumer confidence and spending that is affecting all sections of the economy, inflationary pressures on raw material prices in general, and on oil-based products in particular (which as manufacturers of personal care products make up a significant element of our costs). We are also suffering the adverse impact of the recent decline in the value of sterling, since we purchase a significant proportion of our raw materials in US dollars and Euros and so have further cost pressures.

Chairman's statement

In response to consumer demand for more natural based products, we have just launched improved versions of our Real Shave and Natural Grooming ranges which are free from Parabens, Sodium Lauryl Ethyl Sulphate and Alcohol. Recognising the contribution we all need to make in combating global warming, we are also well advanced with plans for many of our products and brands to become carbon neutral next year.

We are continuing to exploit and develop our branded product ranges in the North American market, although keeping actual investment to a minimum whilst ensuring they have adequate support and distribution in this highly attractive but very competitive market.

We are also meeting the challenges of tighter consumer spending at home by seeking to offer a wider range of value brands at very competitive prices. We are combating the upward pressure on costs I mention above by reorganising our buying and product development departments to operate on the basis that we buy globally at the lowest possible price and use our development skills to reap the benefits of economies of scale and by using the same components in different ranges, although we ensure that this is without damaging the individual characteristics of our branded products.

We are also continuing to manage our working capital and stocks in order to keep borrowing to a minimum given the present high cost of capital.

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.

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 the past year.

William McIlroy
Chairman,

26 June 2008

Corporate governance report

Compliance

The Listing Rules of the Financial Services Authority require listed companies to disclose how they have applied the principles set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance and whether or not they have complied with its provisions.

The Board is committed to the principles set out in the Combined Code but judges that some of the processes are disproportionate or less relevant to the company, given the size and complexity of the business.

The Company has not complied with the Combined Code as regards the following:

- No formal training programme is in place for non-executive directors.
- The role of the Chairman and Chief Executive is combined.

The Board

Details of the directors are set out below.

William McIlroy	Executive Chairman and Chief Executive
Bernard Johnson	Managing Director
Nick O'Shea	Company Secretary and Independent non-executive Director
Mary Carney	Senior Independent non-executive Director
William Glencross	Non-executive Director

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 and financial statements, authorisation of all acquisitions and disposals, sanction all major capital expenditure, the raising of equity or debt finance and investor relations.

The Board does not operate a formal process of performance evaluation; however the Chairman does continually review the performance of the members of the Board.

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

The directors have met as a full Board on 7 occasions throughout the year, including meetings by telephone. The table below shows the attendance of directors at board meetings.

Director	*Number of meetings attended*
William McIlroy	7
Bernard Johnson	7
Nick O'Shea	7
Mary Carney	6
William Glencross	7

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.

Corporate governance report

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

Nomination Committee

The Board as a whole has undertaken the duties of the Nomination Committee. There were no appointments made during the year.

Remuneration Committee

The Remuneration Committee consisted of Mr O'Shea and Mr Glencross until 20 November 2007, and after that date Ms Carney. In determining policy for the executive directors, the Committee has given due consideration to the Combined 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.

Director's remuneration report

The executive directors are salaried in their capacity as directors. Their management and operational services are provided via management companies on a basic fee basis. Additional fees are contingent on the bottom line performance of the Group.

In addition the executive directors and Mr Glencross 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.

Mr Glencross was granted share options during his services as an employee of the Company, prior to his appointment to the board. The Company has a policy that share options may not be granted to non-executive directors.

Full details of directors' remuneration and share options are noted in the Directors' Remuneration Report on page 18. Details of the directors' shareholdings are shown in the Directors' report on page 15.

Accountability and Audit

The directors are responsible for the Company'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 Company's system of internal control is designed to manage rather than eliminate risk of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material miss-statement or loss.

There is an ongoing process for managing the significant risks faced by the Company. This process is ongoing and is reviewed 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 Chief Executive's approval.

Corporate governance report

- 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 control in operation and this process will continue.

Audit Committee

The Audit Committee consists of Ms Carney and Mr O'Shea. Its role is to consider any matters raised by the external auditor in connections with their work and findings, to review the scope and cost effectiveness of their audit, the independence and objectivity of the external auditor, monitor the integrity of the financial statements and formal announcements relating to the Company's performance and to review internal controls. The terms of reference of the Audit Committee are not set out in writing.

Shareholder Relations

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' report

The directors present their annual report on the affairs of the group, together with the financial statements for the year ended 31 March 2008.

Principal activities of the Group

The principal activity, in the course of the year continued to be the creation and manufacture of toiletries and fragrances. A review of the operations of the group during the year and future developments are referred to in the Chairman's statement on page 6.

The principal subsidiary undertakings affecting the results of the group in the year is detailed in note 14 to the financial statements.

Business Review

History

Creightons plc was first established in 1957, manufacturing and marketing toiletries made exclusively from natural products. It created a number of proprietary bands, although it focused mainly on private label and contract manufacturing. It was first listed on the London Stock Exchange in 1987. By 2003 it was seeking to expand both organically and by acquisition, and launched several of its new range of brands, including *The Real Shaving Company*. In March 2003 it purchased the mainly private label and contract filling business of *Potter & Moore* out of administration. Since then, the Group has gradually consolidated its manufacturing at the more modern and efficient *Potter & Moore Innovations* plant in Peterborough. In the years since the acquisition of *Potter & Moore Innovations,* Creightons plc has returned to profitability after a number of years with major losses.

Operating Environment

The toiletries sector encompasses products ranging from haircare to footcare, excluding medical and therapeutical products. There has been a significant fragmentation of the individuals markets in the sector in recent years, with for example, shampoos and conditioners for different coloured hair and different preparations addressing various perceived consumer differentiated needs such as frizziness and tangles.

Consumers purchase these through a range of retail outlets, from high quality department stores to low-cost warehouse-outlet type discounters, with the high street supermarkets and drug stores somewhere in the middle. The majority of the Group's production is sold into the UK, other EU members states and North America.

Producers and manufacturers providing products in this market place range from major multinational corporations to small businesses, such as Creightons ourselves. Also, production and manufacture in the toiletries market is now world-wide, with many major competitors sourcing a significant proportion of their products from outside the UK or EU, either due to greater efficiency of scale or due to a lower cost base, especially in the Far East, although the cost advantage some Far Eastern producers enjoyed a few years ago has begun to erode.

Regulation

The Group does not operate in a 'regulated' market in the sense that the financial markets or pharmaceutical product manufacturers do, but there has been increasing regulation over the use, handling and transportation of potentially hazardous substances – and of consumer protection, and well as increasing restrictions and regulations on waste and disposal of potentially environmentally hazardous products and packaging materials.

Directors' report

Objectives

The principle objectives of the business are to supply toiletry products to its customers, meeting high levels of product quality and consumer satisfaction. Clearly, a critical goal for the Board over the past few years has been to return the Group to sustainable profitability, which they believe they have now achieved. However, the main private label manufacturing business operates in a market which is comparatively low-margin, and susceptible to changes in consumer purchasing, loss of major contract manufacturing contracts from private label customers, and in particular at present, increases in primary raw material prices, especially for oil-based products.

Strategy

The Board's strategy to achieve its objectives and goals, and to guard against the commercial risks mentioned above, has been to ensure high quality and efficiency in all manufactured and bought-in products, to continuously develop and enhance its product ranges, both branded and for its private label customers, to seek to source its raw materials as cost-effectively as possible, and to ensure its manufacturing processes are constantly being improved both in terms of quality and efficiency. The Board is particularly aware that over reliance upon a small number of contract customers could put the business into jeopardy, and so is seeking to develop the branded business, whilst of course recognising the continuing importance of and still looking after and expanding the core private label and contract manufacturing side.

Recent Developments

By March 2006, the Group had closed and disposed of its operations in Storrington, transferring *Creightons'* manufacturing to the *Potter & Moore Innovations* factory in Peterborough. Part of the Storrington site originally in the Company's ownership was disposed of several years ago, the remaining manufacturing and office facilities were disposed of in 2005.

The Group continues to spend modest amounts of capital on improving the filling lines and mixing facilities to improve efficiency and flexibility to handle a wider range of products. The Group has undertaken a major review of product sourcing, and has moved production of pot pourri products to third party manufactures in India.
All the Group's in-house manufactured products are produced by *Potter & Moore Innovations* in the Peterborough factory.

Current Operations

The Group operates through three separate divisions: *Potter & Moore Innovations,* which focuses on high quality private label products for several major High Street supermarket chains; *Creightons,* which manufactures private label products for several long-standing *Creightons* clients whose production was transferred from Storrington, including *The Body Shop*, and a number of successful ranges of branded toiletries that have been developed by *Creightons* and *Potter & Moore Innovations* in recent years; and *Potter & Moore Innovations Inc.,* which distributes the Group's products in North America.

The Group continues to develop new ranges of branded toiletry and hair care products. Recent notable successes have been *The Real Shaving Company's* range of men's shaving products.

Potter & Moore Innovations is continuing to concentrate on developing exciting new ranges of toiletries, hair-care, and body-care products and more recently skin-care products with their private label contract manufacture clients. To this end, significant investment in account management and R&D personnel has been undertaken during the past two years, some of which has been capitalised and is being amortised over the estimated life of the products in accordance with IAS requirements.

Directors' report

Creightons is also developing new ranges of branded toiletries and looking to extend those already successfully launched, and again is investing in sales, marketing and R&D personnel, all of which has been expensed to the income statement, although the product ranges have either only recently become or are still to be available in the market place.

A marketing and sales company, *Potter and Moore International Inc,* was incorporated in the USA in May 2007 to manage the Group's business in North America, including the importation and distribution of products manufactured in Peterborough.

Management and monitoring of performance

Your directors are mindful that although *Creightons plc* is a London Stock Exchange main market 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, staff and production workers' efforts 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.

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. 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 and criticality before authorisation is given for it to be filled through either recruitment or promotion. 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. Only one incident involving employees or contractors on the Group's site was required to be reported to the Health & Safety Executive during the year.

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, to meet all environmental legislation.

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. As the Group has only recently returned to profitability after a number of years of losses, Return on Net assets and similar asset and investment based performance indicators have not been of relevance.

Financial Key Performance Indicators

	2007/08	*2006/07*	*Movement*
Sales	£15,369,000	£12,917,000	Increase of 19%
Gross Margin as a % of Revenue	40.9%	39.7 %	Increase of 1.2%
Operating profit excluding one off costs	£670,000	£461,000	Increase of £209,000
Operating Profit – as a % of Revenue	4.4%	3.6%	Increase of 0.8%
Bank overdraft and loans	£1,349,000	£1,951,000	Decrease of £602,000

Directors' report

Risks

The board regularly monitors exposure to key risks, such as financial ones related to a drop in production efficiencies, worsening cash position and a decline in sales both related to contract and private label manufactured products and branded lines.

It also monitors those 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, or failure to meet environmental protection standards or any of the areas of regulation mentioned above.

Whilst the board monitors exposure to these risks, it does not consider it is in the best interests of the Company or our shareholders to disclose further details of these commercially sensitive matters.

Capital structure, cash flow and liquidity

Having recently achieved profitability after a number of years of substantial losses, and having repaid the loans used at the time of the purchase of the Potter & Moore business, the Group's cash flow has been improved substantially. The business is funded using invoice discounting, a bank facility secured against its assets and stock financing when needed.

Financial

The profit for the year is shown in the attached consolidated income statement. The directors do not recommend the payment of a dividend (2007 – nil).

Research and development

The group has a policy of continual product development. The costs associated with the development of ranges where the group can identify probable future economic benefit are treated as intangible assets and are amortised over the period over which those economic benefits are expected to arise.

Directors

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

William O McIlroy	(executive chairman)
Mary T Carney	(non-executive)
Nicholas DJ O'Shea	(non-executive)
Bernard JM Johnson	(managing director)
William T Glencross	(non-executive)

The directors retiring by rotation are Mr William McIlroy and Mr Nicholas O'Shea.

Directors' report

Directors' interests

The directors who held office at 31 March 2008 had the following beneficial interests in the shares of the company:

	31 March 2008 *1p ordinary shares*		*1 April 2007* *1p ordinary shares*	
	Shares	*Options*	*Shares*	*Options*
Mr McIlroy	14,916,000	1,628,275	14,416,000	1,628,275
Mr Johnson	3,344,569	1,628,275	3,344,569	1,628,275
Mr O'Shea	31,000	–	31,000	–
Mr Glencross	–	300,000	–	300,000

Mr McIlroy's holding noted above includes 14,450,000 (2007 – 13,950,000) shares held in the name of Oratorio Developments Ltd, a private company of which Mr McIlroy is a director and controlling shareholder.

No changes took place between 31 March 2008 and 22 July 2008.

The share options detailed above were granted on 9 January 2004 to Messrs McIlroy, Johnson and Glencross, the executive directors at the time, in accordance with the rules of the existing share option scheme. The company does not make grants of share options to non-executive directors. See note 25 to the financial statements for further detail.

Directors' insurance

The company has purchased insurance cover for the directors against liabilities arising in relation to the Company as permitted by the Companies Act 1985.

Substantial interests

At 22 July 2008 the following substantial interests, being 3% or more of the ordinary shares in issue, had been notified to the Company:

Mr WO McIlroy (including Oratorio Developments Ltd)	14,916,000	27.48 %
Mr D Abell	3,847,150	7.09%
Mr BJM Johnson	3,344,569	6.16%
Mr B Dale	2,451,740	4.52%

Mr McIlroy's holding includes 14,450,000 (26.62%) shares held by Oratorio Developments Ltd, a company of which he is a director and controlling shareholder, of which 3,700,000 (6.82%) shares are registered in the name of Hargrave Hale Nominees Ltd.

Mr Johnson's holding includes 3,184,569 (5.87%) shares of which he is the beneficial owner and which are registered in the name of Hargrave Hale Nominees Ltd.

Mr Abell's holding represents his beneficial ownership of shares registered in the names of Ferlim Nominees Ltd and Rensburg Sheppards Investment Management Ltd, and of 500,000 (0.92%) shares registered in the name of Rock (Nominees) Ltd.

Directors' report

Going concern

After making enquiries, the directors have 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. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Charitable and political donations

During the year the group made charitable donations of £700 (2007 – £482), principally to local charities serving the communities in which the group operates.

No donations were made to political parties (2007 – nil).

Creditor payment policy

The Group does not follow any code or standard on payment practice as it is the Group's policy to settle creditors promptly on mutually agreed terms. The number of days' billings from suppliers outstanding at 31 March 2008 was 44 days (2007 – 58 days).

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 approve the Company's financial staements and reports of the directors and auditor for the year ended 31 March 2008.

2. To receive and approve the Directors' remuneration report for the year ended 31 March 2008.

3. To reappoint William McIlroy retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.

4. To reappoint Nicholas O'Shea retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.

5. To reappoint Chantrey Vellacott DFK LLP as auditor and to authorise the directors to determine their remuneration.

6. To authorise the Company to communicate with shareholders by electronic means via the company website.

7. To give authority to the directors to allot shares pursuant to section 80 of the Companies Act 1985.
   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 £180,919.58, being a further one third of the Company's present issued share capital as a rights issue.

8. As a special resolution, to grant a limited disapplication of the statutory pre-emption rights contained in section 89 of the Companies Act 1985. This authorises the Company for a period of up to 15 months, or

Directors' report

until the next AGM if sooner, to allot 1p Ordinary Shares up to an aggregate nominal value of £27,137.97, being 5% of the Company's present issued share capital, without first offering them as a rights issue to existing shareholders;

9. 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 the maximum aggravate nominal value of £27,137.97, being 5% of the Company's present issued share capital, at a 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 Standing for re-election

Mr William O McIlroy has been Chairman and Chief Executive of the Company for nearly 8 years. Mr McIlroy has an extensive knowledge of the personal care industry.

Mr Nicholas DJ O'Shea, BSc ACMA has been the company secretary for nearly 11 years and a director since 2001. Mr O'Shea is a CIMA qualified management accountant, and works with a number of private companies in various financial, management or advisory capacities.

Auditor

In the case of each of the persons who are acting as directors of the company at the date when this report was approved: –

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditor is not aware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information.

Chantrey Vellacott DFK LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Nicholas O'Shea
Company Secretary

29 July 2008

1210 Lincoln Road
Peterborough PE4 6ND

Directors' remuneration report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. A resolution to approve this report will be proposed at the Annual General Meeting of the company at which the annual accounts for the year are approved.

The above regulations also require that the auditor shall report to the company's members on the auditable part of the directors' remuneration report and state whether in their opinion that part of the directors' remuneration report has been properly prepared in accordance with the Companies Act 1985. This report has therefore been divided into separate sections for audited and unaudited information.

In the opinion of the committee, the company has complied with Section B of the Combined Code, and in forming the remuneration policy, the committee has given full consideration to that section of the Combined Code.

Unaudited information

Remuneration Committee

The board has established a Remuneration Committee to determine the remuneration of directors of the company. The members of the committee were Mr O'Shea and Mr Glencross until 20 November 2007, and after that date Ms Carney . In determining the directors' remuneration the committee consulted the Executive Chairman, Mr McIlroy. There has been one meeting of the committee during the period, attended by Ms Carney and Mr O'Shea.

Policy on directors' remuneration

The policy of the company on executive remuneration is to reward individual performance and motivate and retain existing executive directors so as to promote the best interests of the company and enhance shareholder value. The remuneration packages for executive directors include a basic annual salary, performance related bonus and a share option programme.

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 this year, 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 bonus

Both executive directors' contracts provide for performance bonuses should the group achieve profitability, and Mr McIlroy's also provides for a bonus should a successful sale of the group's toiletries business be achieved. The profit criterion was met in 2008, and as a consequence, provision for payment of the profit related performance bonus has been made in the accounts, and will be paid as required by the contracts within one month of the approval and publication of these accounts.

The contract for Mr McIlroy's services as a director provides for a performance bonus payment to Mr McIlroy's employer (Lesmac Securities Ltd) should the Group achieve profitability, on a scale of 12.5% of the pre-tax audited profits up to £50,000, 7.5% of pre-tax audited profits between £50,001 and £100,000 and 5% of pre-tax audited profits in excess of £100,000. The contract also provides for a success bonus payment to Mr McIlroy's employer should the Group dispose of the toiletries business. This bonus is 10% of the proceeds of a complete

Directors' remuneration report

disposal should the sale price exceed £1.5m, or of a partial disposal should the sale price exceed £0.5m and be for not more than 1/3 of the book value of the net assets of the group so disposed.

The contract for Mr Johnson's services as a manager provides for a performance bonus payment to Mr Johnson's employer (Carty Johnson Ltd) should the group achieve profitability, on a scale of 12.5% of the pre-tax audited profits up to £50,000, 7.5% of pre-tax audited profits between £50,001 and £100,000 and 5% of pre-tax audited profits in excess of £100,000.

Executive share option scheme

The policy of the company is to grant options to executive directors and other senior managers as an incentive to enhance shareholder value. These options become exercisable at 2.75p (the mid-market price for the company's shares on the day of grant) after 9th January 2007 once the company's mid-market share price has been at least 6.0p for three consecutive days.

Pension arrangements

The company does not currently make any pension arrangements or contributions for the directors.

Service contracts

It is the company's policy that service contracts for the executive 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 executive directors is scheduled below:

Name of Director	*Date of service contract*	*Date contract last amended*	*Notice period*
WO McIlroy (executive 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 director)	31 Jul 2005	1 Sep 2006	None

Non-executive directors

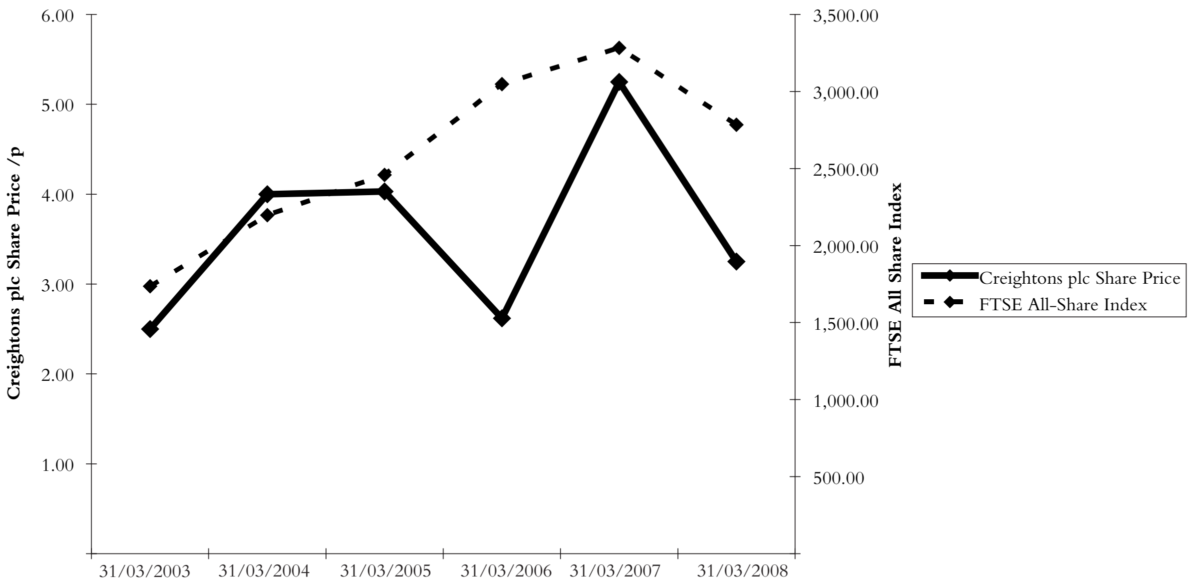
The remuneration for non-executive directors is determined by the executive chairman. Non-executive directors may not be granted share options nor participate in any performance bonus, and are not eligible for pension contributions.

Directors' remuneration report

Performance graph

The following graph shows the company's performance, measured by total shareholder return, compared with the FTSE All-Share index.

Creightons plc – Total Shareholder Return compared to FTSE All-Share Index



The market price at 31 March 2008 was 3.25p.

Directors' remuneration report

Audited Information

Directors' emoluments

	Salaries/Fees *£000*	*Bonus* *£000*	*Benefits* *£000*	*Total 2008* *£000*	*Total 2007* *£000*
WO McIlroy	20	30	–	50	44
MT Carney	8	–	–	8	8
BJM Johnson	88	30	–	118	104
NDJ O'Shea	13	–	–	13	12
W T Glencross	12	–	1	13	43
Total	141	60	1	202	211

Share options

	At 1 April 2007	*At 1 April 2008*	*Exercise price*	*Date from which exercisable*	*Expiry Date*
WO McIlroy	1,628,275	1,628,275	2.75p	9 January 2007	8 January 2011
BJM Johnson	1,628,275	1,628,275	2.75p	9 January 2007	8 January 2011
W T Glencross	300,000	300,000	2.75p	9 January 2007	8 January 2011

Pension entitlements

One director was a member of a defined contribution pension scheme during the period ended 31 March 2007. There were no contributions made during the year ended 31 March 2008. Contributions were as follows: –

WT Glencross – nil (2007 – £3,000).

This payment related to the period during which Mr Glencross was an executive director. No pension contributions are made in respect of non-executive directors.

Approval

This report was approved by the Board of Directors on 29 July 2008 and signed on its behalf by

Nicholas O'Shea
Company Secretary
Remuneration Committee

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the company in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that the financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standard Board's Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also responsible to:

- properly select then apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- 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 entity's financial position and financial performance.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a 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 company's website.

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

Independent Auditor's Report to the shareholders of Creightons plc

We have audited the Group and Parent Company Financial Statements (the "financial statements") of Creightons Plc for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the parent company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report that is required to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Report reflects the company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Independent Auditor's Report to the shareholders of Creightons plc

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report that is required to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report that is required to be audited.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 March 2008 and of the group's profit for the year then ended; and

- the financial statements and the part of the Directors' Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and

- the information given in the directors' report is consistent with the financial statements.

CHANTREY VELLACOTT DFK LLP

Chartered Accountants
Registered Auditor

Croydon

29 July 2008

Consolidated income statement
for the year ended 31 March 2008

	Note	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Revenue	4	**15,369**	12,917
Cost of sales		**(9,088)**	(7,789)
Gross profit		**6,281**	5,128
Distribution costs		**(435)**	(378)
Administrative expenses		**(5,176)**	(4,289)
Operating profit	5	**670**	461
Investment revenues	7	**–**	1
Finance costs	8	**(167)**	(79)
Profit before tax		**503**	383
Tax	9	**–**	–
Profit for the period from continuing operations attributable to the equity holders of the parent company		**503**	383

Earnings per share from continuing operations

	Note	Year ended 31 March 2008	Year ended 31 March 2007
Basic	10	**0.93p**	0.71p
Diluted	10	**0.84p**	0.65p

The company has elected to take exemption under S230 of the Companies Act 1985 not to present the parent company's income statement.

The loss of the parent company was nil (2007 – £5,000).

Consolidated statement of recognised income and expense

	Note	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Net income recognised directly in equity			
Exchange differences on translation of foreign operations	24	**5**	–
Profit for the period	24	**503**	383
Total recognised income and expense for the period wholly attributable to the equity holders of the parent		**508**	383

Consolidated balance sheet

at 31 March 2008

	Note	31 March 2008 £000	31 March 2007 £000
Non-current assets			
Goodwill	11	**331**	331
Other intangible assets	12	**63**	136
Property, plant and equipment	13	**495**	517
		889	984
Current assets			
Inventories	15	**2,907**	3,813
Trade and other receivables	16	**2,065**	2,056
Cash and cash equivalents	17	**79**	14
		5,051	5,883
Total assets		**5,940**	6,867
Current liabilities			
Trade and other payables	19	**1,513**	2,359
Obligations under finance leases	20	**14**	11
Bank overdrafts and loans	21	**1,349**	1,951
Derivative financial instruments	18	**12**	4
		2,888	4,325
Net current assets		**2,163**	1,558
Non-current liabilities			
Obligations under finance leases	20	**38**	40
		38	40
Total liabilities		**2,926**	4,365
Net assets		**3,014**	2,502
Equity			
Share capital	23	**543**	543
Share premium account	24	**1,229**	1,229
Capital redemption reserve	24	**18**	18
Capital reserve	24	**7**	7
Special reserve	24	**13**	13
Share-based payment reserve	24	**56**	52
Retained earnings	24	**1,148**	640
Total equity available to the holders of the parent company		**3,014**	2,502

These financial statements were approved by the board of directors and authorised for issue on 29 July 2008. They were signed on its behalf by:

Bernard Johnson
Managing Director

Company balance sheet
at 31 March 2008

	Note	31 March 2008 £000	31 March 2007 £000
Non-current assets			
Investment in subsidiaries	14	**60**	60
		60	60
Current assets			
Trade and other receivables	16	**2,018**	2,014
		2,018	2,014
Total assets		**2,078**	2,074
Current liabilities			
Trade and other payables	19	**35**	35
		35	35
Net current assets		**1,983**	1,979
Total liabilities		**35**	35
Net assets		**2,043**	2,039
Equity			
Share capital	23	**543**	543
Share premium account	24	**1,229**	1,229
Capital redemption reserve	24	**18**	18
Special reserve	24	**1,441**	1,441
Share-based payment reserve	24	**56**	52
Retained earnings	24	**(1,244)**	(1,244)
Total equity available to the holders of the parent company		**2,043**	2,039

These financial statements were approved by the board of directors and authorised for issue on 29 July 2008. They were signed on its behalf by:

Bernard Johnson
Managing Director

Consolidated cash flow statement

for the year ended 31 March 2008

	Note	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Net cash inflow/(outflow) from operating activities	30	**830**	(1,310)
Cash flow from investing activities			
Proceeds on disposal of property, plant and equipment		**–**	8
Purchase of property, plant and equipment		**(122)**	(251)
Expenditure on intangible assets		**(28)**	(107)
Net cash used in investing activities		**(150)**	(350)
Cash flow from financing activities			
Repayment of finance lease obligations		**(13)**	(14)
(Decrease)/increase in bank overdrafts		**(602)**	1,611
Net cash (used in)/from financing activities		**(615)**	1,597
Net increase/(decrease) in cash and cash equivalents		**65**	(63)
Cash and cash equivalents at start of period		**14**	77
Cash and cash equivalents at end of period		**79**	14

The Company cash flow statement is not disclosed as there were no movements after net cash from operating activities during the two years ended 31 March 2008.

Notes to the financial statements
for the year ended 31 March 2008

1 General information

Creightons Plc (the Company) was incorporated on 29 September 1957; it is a public company, quoted on the London Stock Exchange

2 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union and therefore comply with Article 4 of the EU IAS, and the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have also been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below. These policies have been applied consistently to all years presented unless otherwise stated.

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 where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

A separate income statement for the Company has not been presented as permitted by section 230(4) of the Companies Act 1985.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities of a business acquired at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested at least annually for impairment and is carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the profit and loss and is not subsequently reversed. No amortisation is charged.

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 on goodwill is not reversed in subsequent periods.

Notes to the financial statements
for the year ended 31 March 2008

2 Accounting policies *(continued)*

On disposal of an acquired business 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 and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividend income from investments is recognised when shareholders rights to receive payment has been established.

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 charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable against qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals under operating leases are charged against income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into operating leases are spread 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 results and financial position of each group company are 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 the balance sheet date.

Notes to the financial statements
for the year ended 31 March 2008

2 Accounting policies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement in the period they arise.

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 classified as equity and recognised in the group's foreign currency translation reserve. Such translation differences are recognised as income or as an expense in the period in which the operation is disposed of.

In order to hedge its exposure to certain foreign exchange risks the Group enters into forward exchange contracts and options – see below for the Group's accounting policies in respect of such derivative financial instruments.

Borrowing costs

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

Operating profit

Operating profit is stated after charging restructuring costs and other exceptional items but 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 charged as an expense as they fall due. Payments to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The tax expense represents the sum of tax currently payable and deferred 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 allowable. 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 is the tax expected to be payable or recoverable on 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 provided in full 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 tax profit nor accounting profit.

Notes to the financial statements

for the year ended 31 March 2008

2 Accounting policies *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Property, plant and equipment

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

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

	% per annum
Plant and equipment	10 – 20
Fixtures and fittings	10 – 33
Computers	25 – 33
Motor vehicles	20

Assets owned 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.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense.

Research and development expenditure

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

An 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. Where no internally generated intangible assets can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets

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 their estimated useful lives as follows:

Acquired licences	– Over three years
Computer software	– Over three years

Notes to the financial statements

for the year ended 31 March 2008

2 Accounting policies *(continued)*

Trademarks

Expenditure on trademarks is recognised as an expense in the year in which it is incurred.

Impairment of assets

At each reporting date, the group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount. Recoverable amount is the higher of the fair value less cost to sell and value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

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. Net realisable value represents the estimated selling costs less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Trade receivables

Trade receivables are initially recognised at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

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.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in income statement using the effective interest rate method and are added to the carrying amount of the interest to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortisation cost, using the effective rate method.

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 this exposure. The group does not use derivative financial instruments for speculative purposes.

Notes to the financial statements

for the year ended 31 March 2008

2 Accounting policies *(continued)*

The group currently has no derivative financial instruments that qualify for hedge accounting. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Share based payments

The Group has applied the requirements of IFRS2 'Share Based Payment'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of options after 7 November 2002 that were unvested at 1 January 2005.

The group issues equity-settled share based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. 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 and adjusted for the effect of non market-based vesting conditions.

Fair value is calculated using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the non-transferability, exercise restrictions and behavioural considerations.

3 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 2, management have made the following judgements that have most significant effect on the amounts recognised in the financial statements.

Income taxes

A judgement is required in determining the provision for income taxes. 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.

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 cash flows expected to arise from the cash generating-unit and a suitable discount rate to calculate the present value. The carrying value of goodwill at the balance sheet date was £331,000. No impairment provision was considered necessary against this carrying value.

Notes to the financial statements
for the year ended 31 March 2008

3 Critical accounting judgements and sources of estimation uncertainty *(continued)*

Impairment of product development costs

Management review the recoverability of product development costs throughout the year and will increase the amount amortised for 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 2 above.

4 Business and geographic segments

For management purposes the group is organised into one operating division which operates in one business segment. The group has commenced trading in North America during the year. The level of activity in this market is below the quantitative thresholds under IFRS 8 and therefore no geographic segmental information is presented in these financial statements.

5 Operating profit

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Net foreign exchange profit/(losses)	**11**	(4)
Cost of inventories recognised as expense	**9,088**	7,789
Research and development costs	**212**	232
Depreciation of property plant and equipment	**158**	117
Amortisation of intangible assets	**101**	55
Staff costs	**3,802**	3,670
Auditor's remuneration for audit services	**26**	25
Operating lease rental expense	**294**	206

The analysis of auditor's remuneration is as follows:

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Audit services		
Fees payable to the company's auditor for the audit of the parent company and the group financial statements	**21**	20
Fees payable to the company's auditor for other services:		
The audit of the company's subsidiaries, pursuant to legislation	**5**	5
Tax services	**1**	1

Notes to the financial statements

for the year ended 31 March 2008

6 Staff costs

The average number of employees (including directors) was:

	Year ended 31 March 2008 Number	Year ended 31 March 2007 Number
Management	**8**	6
Administration	**45**	43
Production	**115**	126
Total	**168**	175

Their aggregate remuneration comprised:

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Wages and salaries	**3,467**	3,361
Social security costs	**306**	275
Pension contributions	**29**	34
Total	**3,802**	3,670

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

7 Investment revenues

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Interest on bank deposits	**–**	1

8 Finance costs

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Interest on bank overdrafts and loans	**162**	76
Interest on obligations under finance leases	**5**	3
Total	**167**	79

9 Tax

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Current tax	**–**	–
Deferred tax	**–**	–
Total	**–**	–

Notes to the financial statements
for the year ended 31 March 2008

9 Tax *(continued)*

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

	Year ended 31 March 2008 £000	Year ended 31 March 2008 %	Year ended 31 March 2007 £000	Year ended 31 March 2007 %
Profit before tax	**503**	**–**	383	–
Tax charge at the UK corporation tax rate of 30% (2007 – 30%)	**(151)**	**(30)**	(115)	(30)
Tax effect of expenses that are not deductible in determining taxable profit	**–**	**–**	(2)	(0.5)
Tax effect of utilisation of brought forward tax losses	**151**	**30**	117	30.5
Total expense and effective rate for the year	**–**	**–**	–	–

The Group has trading losses which can be carried forward and relieved against future profits of the same trade. The Group has not recognised a deferred tax asset in respect of trading losses which can be carried forward due to the uncertainty over future profits.

10 Earnings per share

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

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Earnings		
Net profit attributable to the equity holders of the parent company	**503**	383

	Year ended 31 March 2008 Number	Year ended 31 March 2007 Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**54,275,876**	54,275,876
Effect of dilutive potential ordinary shares relating to Share options	**5,426,550**	4,256,550
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**59,702,426**	58,532,426

Notes to the financial statements

for the year ended 31 March 2008

11 Goodwill

	Total £000
Cost	
At 1 April 2006, 31 March 2007 and at 31 March 2008	364
Accumulated impairment losses	
At 1 April 2006, 31 March 2007 and at 31 March 2008	33
Carrying Amount	
At 31 March 2006, 31 March 2007 and at 31 March 2008	331

The whole of the Goodwill relates to a single Cash Generating Unit (CGU) relating to the Potter & Moore business acquired in March 2003.

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

The recoverable amount of the CGU 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 3.6% and a discount rate of 6.0%. No reasonably possible change in these assumptions would give rise to impairment.

The growth rates are based on the average growth rate experienced by the CGU which is in line with historical growth rates for the business sector in which it operates. 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.

No goodwill impairment charges arose during the current or prior year.

Notes to the financial statements
for the year ended 31 March 2008

12 Other intangible assets
Group

	Acquired computer software £000	Product development costs £000	Total £000
Cost			
At 1 April 2006	17	69	86
Additions	–	107	107
At 31 March 2007	17	176	193
Additions	–	28	28
Disposals	–	(69)	(69)
At 31 March 2008	17	135	152
Accumulated amortisation			
At 1 April 2006	2	–	2
Amortisation for the year	7	48	55
At 31 March 2007	9	48	57
Amortisation for the year	8	93	101
Disposals	–	(69)	(69)
At 31 March 2008	17	72	89
Carrying value			
At 1 April 2006	15	69	84
At 31 March 2007	8	128	136
At 31 March 2008	–	63	63

Notes to the financial statements

for the year ended 31 March 2008

13 Property, plant and equipment

Group

	Plant and equipment £000	Total £000
Cost		
At 1 April 2006	1,232	1,232
Additions	300	300
Disposals	(3)	(3)
At 31 March 2007	1,529	1,529
Additions	136	136
At 31 March 2008	1,665	1,665
Accumulated depreciation		
At 1 April 2006	896	896
Depreciation for the year	117	117
Disposals	(1)	(1)
At 31 March 2007	1,012	1,012
Depreciation for the year	158	158
At 31 March 2008	1,170	1,170
Carrying value		
At 1 April 2006	336	336
At 31 March 2007	517	517
At 31 March 2008	495	495

Included within plant, equipment are assets held under finance leases with a carrying value of £73,000 (2007 – £57,278) on which depreciation of £20,000 (2007 – £7,000) has been charged during the year.

At 31 March 2008 the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £13,000 (2007 – £12,000).

Notes to the financial statements

for the year ended 31 March 2008

14 Investments in subsidiaries

Details of the Company's subsidiaries at 31 March 2008 are as follows:

Name	Place of incorporation 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 Sensual Secrets Company Limited	England	100%
Creightons Naturally Limited	England	100%

The activity of Potter & Moore Innovations Ltd is the creation and manufacture of toiletries and fragrances. The activity of Potter and Moore International Inc is the distribution of personal care products. All other subsidiaries were dormant at 31 March 2008 and throughout the year then ended.

15 Inventories

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Raw materials	**1,015**	1,393	**–**	–
Work in progress	**171**	209	**–**	–
Finished goods	**1,721**	2,211	**–**	–
	2,907	3,813	**–**	–

Inventories with a carrying value of £2,907,000 (2007 – £3,813,000) have been pledged as security for the Group's bank overdrafts. Management believe that net realisable value approximates to fair value.

Notes to the financial statements

for the year ended 31 March 2008

16 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade receivables	**1,979**	1,943	**–**	–
Amounts receivable from subsidiaries	**–**	–	**2,018**	2,014
Prepayments and other receivables	**86**	113	**–**	–
	2,065	2,056	**2,018**	2,014

Trade receivables with a carrying value of £1,753,000 (2007 – £1,943,000) have been pledged as security for the Group's borrowings under the invoice finance facilities and the Group's bank overdrafts.

The carrying value of trade and other receivables also represents their fair value

17 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity date 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:

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Cash at bank and in hand	**–**	1	**–**	–
Sterling equivalent of deposit denominated in US dollars	**79**	13	**–**	–
	79	14	**–**	–

18 Derivative financial instruments

Foreign exchange transaction risks

The Group utilises currency derivatives to hedge against significant future transactions and cash flows. 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 currency used by the Group's principal overseas suppliers.

The Group does not designate its foreign currency balances or forward exchange contracts as hedging instruments as they do not qualify for hedge accounting under IAS39.

At the balance sheet date the fair value of the group's derivatives was a liability of £12,000 (2007 – £4,000) which has been booked as a loss in the period.

At the balance sheet date the Group has committed to £653,000 (2007 – £1,333,000) of forward exchange contracts.

Interest rate risk

The Group does not enter into commitments to manage the interest rate exposure as the Directors do not consider this exposure to be a significant risk to the business.

Notes to the financial statements

for the year ended 31 March 2008

19 Trade and other payables – current liabilities

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade payables	**985**	1,843	**–**	–
Social security and other taxes	**321**	265	**–**	–
Accrued expenses	**207**	251	**–**	–
Amounts payable to subsidiary undertakings	**–**	–	**35**	35
	1,513	2,359	**35**	35

20 Obligations under finance leases

Group

	Minimum Lease payments	
	2008	2007
	£000	£000
Amounts payable under finance leases		
Within one year	**14**	11
Between two to five years	**38**	40
Total minimum lease payments	**52**	51
Future finance charges	**7**	9
	59	60

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

for the year ended 31 March 2008

21 Bank overdrafts and loans

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Bank overdrafts	**636**	331	**–**	–
Borrowings under invoice finance facilities	**651**	1,267	**–**	–
Other loans	**62**	353	**–**	–
	1,349	1,951	**–**	–

The borrowings are repayable as follows:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
On demand or within one year	**1,349**	1,951	**–**	–
	1,349	1,951	**–**	–

All 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	
	2008 £000	2007 £000	2008 £000	2007 £000
Bank overdrafts	**8.3**	7.5	**–**	–
Borrowings under invoice finance facilities	**7.3**	6.6	**–**	–
Other loans	**7.4**	6.7	**–**	–

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

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

At 31 March 2008 the group had available £1,267,000 (2007 – £416,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

22 Deferred tax

There are no major deferred tax liabilities recognised by the Group at 31 March 2008 and 31 March 2007.

Group and Company

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 £3,694,000 (2007 – £4,206,000) 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.

Notes to the financial statements

for the year ended 31 March 2008

23 Share capital

	Ordinary shares of 1p each			
	2008		2007	
	£000	Number	£000	Number
Authorised	1,223	122,346,000	1,223	122,346,000
Issued and fully paid	543	54,275,876	543	54,275,876

The Company has one class of ordinary shares which carry no right to fixed income.

24 Reserves and changes in equity

Group

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve £000	Special reserve £000	Share-based payment reserve £000	Retained reserve £000	Total Equity £000
At 1 April 2006	543	1,229	18	7	13	47	257	2,114
Additional provision	–	–	–	–	–	5	–	5
Net profit for the year	–	–	–	–	–	–	383	383
At 31 March 2007	543	1,229	18	7	13	52	640	2,502
Additional provision	–	–	–	–	–	4	–	4
Exchange differences on translation of foreign operations	–	–	–	–	–	–	5	5
Net profit for the year	–	–	–	–	–	–	503	503
At 31 March 2008	543	1,229	18	7	13	56	1,148	3,014

Company

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Share-based payment reserve £000	Retained reserve £000	Total Equity £000
At 1 April 2006	543	1,229	18	1,441	47	(1,239)	2,039
Additional provision	–	–	–	–	5	–	5
Net loss for the year	–	–	–	–	–	(5)	(5)
At 31 March 2007	543	1,229	18	1,441	52	(1,244)	2,039
Additional provision	–	–	–	–	4	–	4
Net loss for the year	–	–	–	–	–	–	–
At 31 March 2008	543	1,229	18	1,441	56	(1,244)	2,043

The Company obtained a court ruling dated 19 March 1997 under which the 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 2008 goodwill written off amounts to £2,575,000 (2007 – £2,575,000).

Notes to the financial statements

for the year ended 31 March 2008

24 Reserves and changes in equity *(continued)*

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.

25 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 7 years from the date of grant, the option expires. Options are forfeited if the employee leaves the group before options vest.

	Ordinary shares of 1p each			
	2008		2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the period	**4,256,550**	**2.75p**	4,682,203	2.75p
Granted in the period	**1,370,000**	**5.18p**	–	–
Forfeited in the period	**(200,000)**	**5.50p**	(425,653)	2.75p
Outstanding at the end of the period	**5,426,550**	**3.26p**	4,256,550	2.75p

Out of the 5,426,550 outstanding options, 4,256,550 options were exercisable.

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

Granted	Exercise period	Number	Exercise price
January 2004	2007 – 2011	4,256,550	2.75p
August 2007	2010 – 2014	920,000	5.50p
January 2008	2011 – 2015	250,000	3.75p
Outstanding at the end of the period		5,426,550	

Notes to the financial statements
for the year ended 31 March 2008

25 Share-based payments *(continued)*

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

	Year ended 31 March 2008	Year ended 31 March 2007
Weighted average share price (pence)	5.13p – 4.54p	–
Weighted average exercise price (pence)	5.50p – 3.75p	–
Expected volatility (%)	45.9% – 53.1%	–
Expected life (years)	3	–
Risk free rate (%)	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 expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £4,000 (2007 – £5,000) related to share based payments.

On 23 August 2007, 1,120,000 options were issued at an exercise price of 5.5p. These options are exercisable between 23 August 2010 and 23 August 2014. On 8 January 2008, 250,000 options were issued at an exercise price of 3.75p. These options are exercisable between 08 January 2011 and 09 January 2014.

26 Retirement benefit scheme

The Group operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from the Group. The charge in the consolidated income statement in the year was £29,000 (2007 – £34,000) and cash contributions were £30,000 (2007 – £34,000).

27 Operating lease arrangement

The Group leases property and 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 2008 £000	Year ended 31 March 2007 £000	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Minimum lease payments under operating leases recognised as an expense in the year	**294**	206	**–**	–

Notes to the financial statements
for the year ended 31 March 2008

27 Operating lease arrangement *(continued)*

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

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Within one year	**369**	177	**–**	–
In the second to fifth year inclusive	**1,474**	1,354	**–**	–
After five years	**2,800**	2,873	**–**	–
Total	**4,643**	4,404	**–**	–

28 Capital commitments

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Contracts placed for future capital expenditure not provided for in the financial statements	**13**	12	**–**	–

29 Related party transactions

Transactions between the parent company and its subsidiary

During the year group entered into the following transactions with its subsidiaries:

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Charges for management services	**4**	5

The amounts owed by and to subsidiary companies are:

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Amounts receivable from subsidiary undertakings	**2,018**	2,014
Amounts payable to subsidiary undertakings	**(35)**	(35)

Notes to the financial statements
for the year ended 31 March 2008

29 Related party transactions *(continued)*

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 the Potter & Moore Innovations Limited. The following amounts were charged under the terms of the lease:

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Rental charges	**229**	84
Re-imbursement of property insurance costs	**12**	–
Re-imbursement of utility charges.	**9**	5
Total	**250**	89

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24, 'Related Party Disclosure'. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 18 to 21.

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Salaries and other short term benefits	**202**	208
Post employment benefits	**–**	3
Share based payments	**–**	12
Total	**202**	223

Notes to the financial statements

for the year ended 31 March 2008

30 Notes to cash flow statement

Group

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Profit from operations	**670**	461
Adjustments for:		
Investment revenues	**–**	1
Depreciation on property plant and equipment	**158**	117
Amortisation of intangible assets	**101**	55
Gain on disposal of property, plant and equipment	**–**	(6)
Share based payment charge	**4**	5
Other non cash items	**13**	4
	946	637
Decrease/(increase) in inventories	**906**	(2,008)
Increase in trade and other receivables	**(9)**	(728)
(Decrease)/increase in trade and other payables	**(846)**	868
Cash generated from/(absorbed by) operations	**997**	(1,231)
Interest paid	**(167)**	(79)
Cash inflow/(outflow)	**830**	(1,310)

Additions to plant and equipment during the year amounting to £14,000 (2007 – £47,000) were financed by new finance leases.

Cash and cash equivalents (which are presented as a single asset on the face of the balance sheet) comprise cash at bank and in hand.

Notes to the financial statements
for the year ended 31 March 2008

30 Notes to cash flow statement *(continued)*
Company

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Loss from operations	**–**	(5)
Adjustments for:		
Share based payment charge	**4**	5
	4	–
(Increase)/decrease in trade and other receivables	**(4)**	89
Decrease in trade and other payables	**–**	(89)
Cash absorbed by operations	**–**	–
Interest paid	**–**	–
Cash outflow	**–**	–

Cash and cash equivalents (which are presented as a single asset on the face of the balance sheet) comprise cash at bank and in hand.

Creightons plc

Proxy for use at Annual General Meeting of the Company to be held at the offices of Potter & Moore Innovations Ltd, 1210 Lincoln Road, Peterborough, PE4 6ND on Tuesday 26 August 2008 at 12:00 noon.

Please insert full name and address

I/We ....

PLEASE USE BLOCK CAPITALS

of ....

being (a) member(s) of the above-named Company hereby

appoint ....

of ....

or failing him ....

of ....

(or in the event that no person is named) the chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the above mentioned meeting and at any adjournment thereof on the resolutions set out in the notice of the meeting as follows:

Please tick as required

Resolution		For	Against	Withheld
1	To receive and approve the Company's financial statements and reports of the directors and auditor for the year ended 31 March 2008.			
2	To receive and approve the Directors' remuneration report for the year ended 31 March 2008			
3	To reappoint William McIlroy retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.			
4	To reappoint Nicholas O'Shea retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.			
5	To reappoint Chantrey Vellacott DFK LLP as auditor and to authorise the directors to determine their remuneration.			
6	To authorise the Company to communicate with shareholders by electronic means via the company website.			
7	To give authority to the directors to issue shares pursuant to section 80 of the Companies Act 1985			
8	As a special resolution, to grant a limited disapplication of the statutory pre-emption rights contained in section 89 of the Companies Act 1985			
9	As a special resolution, to give a limited power to the Company to purchase its own shares			

Please date

Dated this ....day 2008

Please sign

Signature ....

Notes

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company but must attend the meeting in person) of his own choice to attend and to vote in his/her place. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. If a member wishes to appoint a proxy other than the Chairman, delete the words "the Chairman of the Meeting or," initial the alteration and insert the name of the person you wish to appoint as your proxy. All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy.
2. If you indicate that you want your vote withheld your proxy may abstain from voting and therefore there is no vote at law to be counted in the calculation of the proportion of votes for and against the resolution.
3. If a member is a corporation, this form of proxy must be executed under its common seal or by the signature of an officer or attorney duly authorised in writing.
4. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated, and the vote of the senior holder who tenders a vote will be accepted to the exclusion of the vote(s) of other joint holder(s), seniority being determined by the order in which the names stand in the register of members of the Company.
5. In order to be valid, this form of proxy, duly executed together with any power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must be lodged at the Company's Registrars not less than 48 hours before the time of the meeting or any adjournment of the meeting.
6. The return of a completed Proxy Form will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

Third Fold and Tuck in

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Capita Registrars
Proxy Department
Registrars for CREIGHTONS plc
PO Box 25
Beckenham
Kent BR3 4BR

First Fold

Second Fold

Registered Number 1227964