

# CREIGHTONS

## 2011 ANNUAL REPORT

**award winning**

**fresh ideas**

**talented innovation**

**marketing excellence**

**pro-active**

**technical expertise**

**dynamic passion**

**leading-edge brands**

**cross-category**

**credibility**

**full service**

**multi-faceted**

**global**

Potter & Moore  
ENGLISH CLASSICS  
1749

just  
colour™



[urban therapy] .....  
giving you the control to style

The  
naturally perfect  
Shave

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## Directors, advisers and bankers

<b>Directors</b>	William O McIlroy <i>Executive Chairman and Chief Executive</i> Bernard JM Johnson <i>Managing Director</i> William T Glencross <i>Non-executive Director</i> Mary T Carney <i>Non-executive Director</i> Nicholas DJ O'Shea <i>Non-executive Director</i>
<b>Company Secretary</b>	Nicholas DJ O'Shea, BSc ACMA
<b>Registered Office</b>	1210 Lincoln Road Peterborough PE4 6ND Registered in England & Wales No 1227964
<b>Auditor</b>	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF
<b>Registrars</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
<b>Bankers</b>	HSBC Bank Plc Cathedral Square Peterborough PE1 1XL
<b>Solicitors</b>	Coole & Haddock 5 The Steyne Worthing West Sussex BN11 3DT
<b>Financial Advisers</b>	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX

## 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 24 August 2011 at 12:00 noon in order to consider and, if thought fit, pass the following resolutions:

1. To receive and consider the Company's financial statements and reports of the directors and auditor for the year ended 31 March 2011.
2. To receive and approve the Directors' remuneration report for the year ended 31 March 2011.
3. To reappoint Mr N O'Shea retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.
4. To reappoint Ms M Carney 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, 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 551 of the Companies Act 2006 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 551) of the Company up to an aggregate nominal value of £181,596.25 (representing approximately 33.3% of the current issued ordinary share capital) provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution or, if earlier, fifteen months after the passing of this resolution unless previously renewed, varied or revoked by the Company in general meeting and provided that the Company may before such expiry make an offer or agreement which would or 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."

7. 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 570 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of the said Act) for cash pursuant to the authority conferred upon them by Section 551 of the said Act by resolution 6 above as if Section 561(I) of the said Act did not apply to any such allotment provided that this power shall be limited:

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

## 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 £27,239.44 (representing approximately 5% of the current issued ordinary share capital);

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

8. As a special resolution:

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

- (a) the authority hereby conferred shall expire on the earlier of the date which is fifteen months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless renewed or extended prior to or at such meeting, except that the Company may before the expiry of such authority make any contract of purchase of Ordinary Shares which will or might be completed wholly or partly after such expiry and to purchase Ordinary Shares in pursuance of such contract as if the authority conferred hereby had not expired;
- (b) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 2,723,944 Ordinary Shares (representing 5% of the Company’s issued share capital as at 12 July 2011); 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

21 July 2011



## 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. Nominated persons (a) Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. (b) The statement of the rights of shareholders in relation to the appointment of proxies in paragraph (1) above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by the shareholders of the Company.
4. Only shareholders whose names appear on the register of members of the Company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.
5. The statement of the rights of shareholders in relation to the appointment of proxies in note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.
6. As at 19 July 2011, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 54,478,876 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 19 July 2011 are 54,478,876.
7. In Accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members at 6:00pm 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 6:00pm on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.
8. Any member attending the meeting has the right to ask questions. The Company has to answer any questions raised by members at the meeting which relate to the business being dealt with at the meeting unless:
  - to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question, or;
  - it is undesirable in the interests of the Company or the good order of the meeting to answer the question.
9. Copies of the director's service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.
10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares.
11. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
12. To be valid any proxy form or other instrument appointing a proxy must be:
  - completed and signed;
  - sent or delivered to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, and;
  - received by Capita Registrars no later than 12:00 noon on 22 August 2011.

A copy of this notice, and other information required by S311A of the Companies Act 2006, can be found at [www.creightonsplc.com](http://www.creightonsplc.com)

## Chairman's statement

### Review of the year

I am pleased to report a consolidated Group pre-tax profit of £135,000 for the year ended 31 March 2011 (2010 – £303,000). This profit has been achieved in a difficult trading year with continued reduction in Christmas gift sales as retail customers have bought product direct from China, increased margin pressure arising from increases in raw material costs and the disruption caused by the fire in a warehouse on 14 December 2010.

We have been successful in introducing new customers and developing new brands to offset the loss of Christmas gift business with sales growth for new business more than offsetting the loss of Christmas gift sales. This new business is more evenly spread through the year which will reduce the seasonality of the Group's trade.

Margins have continued to remain under pressure with raw material prices increasing on a regular basis and have been much more pronounced in the last quarter of the year. We have continued our programme of cost engineering and managing our product offering to improve this position.

We have continued our focused effort on sales and development that I reported last year as this has been successful in introducing new customers and brands.

### Financial results

Consolidated Group sales this year were £540,000 higher than last year (an increase of 4%) at £14,130,000 (2010 – £13,590,000). The underlying sales growth excluding the impact of the reduced Christmas gifts is £1,772,000 (an increase of 13%).

Increased raw material prices and an adverse product mix which have been offset by savings from our ongoing product re-engineering programme have resulted in a slight erosion in gross margin percentage by 0.3% to 42.0% (2010 – 42.3%). Increased transport costs and changes in the sales mix have resulted in higher distribution costs as a percentage of sales, which have therefore increased to 4.6% from 3.8% in 2010. Administration costs have risen as we continue to invest in product development and sales resources to drive new sales opportunities.

Profit before tax for the year of £167,000 (2010 – £334,000) represents a reduction of 50%.

Lower average borrowings and continued low interest rates ensured that interest costs have remained relatively low at £32,000 (2010 – £31,000).

Group Profit after tax of £135,000 (2010 – £303,000) therefore shows a satisfactory performance given the trading environment the Group has operated in during the past year. Diluted earnings per share fell to 0.23p from 0.51p in 2010 as a result of the reduced earnings. The directors do not consider it is in the best interests of the Company to declare a dividend at the moment, instead using the funds generated from this year's successful trading to manage future working capital requirements.

Net borrowings (bank overdraft and loans less bank and cash on hand) have increased by £348,000 to £515,000 (2010 – £167,000). The main reason for the increase in borrowing is the higher working capital requirement at the end of the year. The increase in trade debtors is primarily due to higher sales in the final quarter of the year although debtor days have increased as a result of changes in customer mix. Stock levels, particularly in North America, have increased in the main to support the new ranges launched in the final quarter of the year.



## Chairman's statement

### Current year developments

The Group continues to develop and strengthen its branded portfolio. This is being achieved through developing our existing brand offering and developing relationships with the owners of existing brands, often through investing in existing brands when opportunities arise.

We have faced intense price pressures with significant increases in key raw materials over the past six months. We are working hard to pass these on to our customers with some degree of success. Whilst the price pressure has recently abated we are continuing our efforts to recover lost margin.

The levels of Christmas gift business will continue to decrease as our major customer is now sourcing the majority of gifts direct from the Far East. We are continuing to drive new sales opportunities to compensate for this business.

We also expect our main private label customers to continue to adopt value strategies with sales opportunities in lower priced products offsetting lower sales levels on higher priced products. This too is likely to adversely affect our turnover and margins in the current year.

We will continue to manage our overhead cost base and working capital requirements to ensure they are aligned with the anticipated sales levels of the Group whilst retaining the skills necessary to meet growth opportunities as they arise.

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.

The Board has reviewed the Group's funding requirements and the Company's dividend policy in light of consistent profits for a number of years. However, given the on-going pressure on cash flow and liquidity and relatively modest annual profits, it feels that it is more appropriate to retain profits to help fund the continued investment in growth than reduce available funds through dividend distribution.

I would like to take this opportunity to thank each and every one of the Group's employees for the hard work and effort they have put in over what has been a challenging year.

William McIlroy  
*Chairman*

27 June 2011

## 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 relative small size and minimal 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 all 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	Independent 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 of 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 regularly reviews the performance of all members of the Board.

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

The directors have met as a full board on 11 occasions throughout the year, including meetings by telephone. The attendance at meetings held during the year to 31 March 2011 for each of the Directors is as follows:

<i>Director</i>	<i>Board Meetings</i>	<i>Remuneration Committee</i>	<i>Audit Committee</i>
William McIlroy	9	0	0
Bernard Johnson	10	0	0
Nick O'Shea	11	2	2
Mary Carney	7	2	2
William Glencross	6	0	0

## Corporate governance report

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

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

### Nomination Committee

The Board as a whole has undertaken the duties of the Nomination Committee. The Committee is responsible for proposing candidates for the Board having regard to the balance and structure of the Board. There were no appointments made during the year.

### Remuneration Committee

The Remuneration Committee consisted of Mary Carney and Nick O'Shea. 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.

### Directors' remuneration

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 participate in a share option scheme. The Board believes that in accordance with the best practice provisions, this approach aligns the interests of shareholders and executive directors. The Company has a policy that share options may not be granted to non-executive directors.

Full details of directors' remuneration 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.

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 misstatement 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;
- 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.

## Corporate governance report

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

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

### Audit Committee

The Audit Committee consists of Mary Carney and Nick O'Shea. Its role is to:

- Monitor the integrity of the financial statements of the group and any formal announcements relating to the group's financial performance and reviewing significant financial reporting judgements contained therein;
- Review the group's internal financial controls and the group's internal control and risk management systems;
- Review whether it is appropriate to introduce an internal audit function;
- Make recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditors independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding provision of non-audit services by the external audit firm.

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

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

### 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 2011.

### Principal activities

The principal activity of the group 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 are detailed in note 13 to the financial statements.

### Business Review

#### *History*

*Creightons plc* was first established in 1975, manufacturing and marketing toiletries made exclusively from natural products. It created a number of proprietary brands, although it focused mainly on private label and contract manufacturing. It was first listed on the London Stock Exchange in 1987. 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.

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 had been disposed of several years previously, the remaining manufacturing and office facilities were disposed of in 2005. In March 2007 the group established a sales and distribution operation in New York in order to market the Group's branded products in North America.

The Group consolidated its ongoing manufacturing at the *Potter & Moore Innovations* factory in Peterborough some years ago, although it 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.

Having previously experienced a number of years with major losses, the years since the acquisition of *Potter & Moore Innovations* have seen *Creightons plc* return to sustained profitability.

#### *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 individual markets in the sector in recent years, with for example shampoos and conditioners for different coloured hair and different preparations addressing various perceived consumer needs such as frizziness.

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

## Directors' report

Producers and manufacturers providing products in this market place range from major multinational corporations to small businesses, such as *Creightons*. Also, production and manufacturing in the toiletries market is now world-wide, with many 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, although the cost advantage some Far Eastern producers enjoyed previously has been deteriorating in the past few years.

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

### *Objectives*

The principal objectives of the business are to supply high quality personal care 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 maintain the Group's profitability in the difficult trading environment created by the recession. 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 contracts and increases in primary raw material prices, especially for oil-based products. The unprecedented economic situation of the last three years has made trading conditions far more challenging than at any time in the past decade. In the short term, until the economy recovers with consumer and customer purchasing and confidence returning to historic levels, the Board has made sustaining profitability a key objective.

### *Strategy*

The Board's strategy to achieve its objectives and goals whilst guarding against commercial risks 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*

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

- private label business which focuses on high quality private label products for major High Street retailers and supermarket chains;
- contract manufacturing business, which develops and manufactures products on behalf of third party brand owners; and
- branded sales business which markets, sells and distributes our branded products. This business includes the North American operation which was established in 2007.

All of these business streams use the central creative, research and development, sourcing, manufacturing and distribution operations based in Peterborough, and each is pro-active in the development of new sales and product development opportunities for their respective customers.



## Directors' report

Over the past year, the Group has established a number of joint-venture type operations with existing brand owners, although these actually operate as subsidiaries within the existing branded products business stream. We are currently exploring further opportunities of this nature, which enable the Group to benefit from existing, established or developed brands, and the brand owners to benefit from the Group's wide range of trade outlets and our low-cost quality manufacturing and sourcing strengths.

### *Current Operations*

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

The Group has continued its aggressive development programme of new ranges of branded toiletries, hair care and skincare products and continues to extend those already successfully launched such as *The Real Shave Company*, *St James's Perfumery* and *Natural Grooming*.

### *Management and monitoring of performance*

Your directors are mindful that although *Creightons plc* is a UK Listing Authority listed Company, in size it is really only medium sized and therefore many of the 'big business' features common in listed companies are inappropriate. This year's profitable result has been achieved only as a result of considerable hard work over several years in focusing management, 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. Part of this monitoring and appraisal includes assessment of training required for personal development as well as succession planning within the Group, and all employees are encouraged to undertake appropriate training to develop their skills and enhance their career opportunities. The 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. One incident involving employees or contractors on the Group's sites was required to be reported to the Health & Safety Executive during the year (2010 – 2)

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

## Directors' report

### Financial Key Performance Indicators

	2010/11	2009/10	Movement
Sales	£14,130,000	£13,590,000	Increase of 4.0%
Gross Margin as a % of Revenue	42.0%	42.3%	Decrease of 0.3%
Operating profit excluding one off costs	£167,000	£334,000	Decrease of £167,000
Operating Profit – as a % of Revenue	1.2%	2.5%	Decrease of 1.3%
Return on net assets	3.5%	8.3%	Reduced by 4.8%
Bank overdraft and loans	£611,000	£216,000	Increased by £395,000

### Risks

The board regularly monitors exposure to key risks, such as those related to a drop in production efficiencies, worsening cash position, decline in sales both related to contract and private label manufactured products and branded lines. It has also taken account of the worsening economic situation over the past 12 months, and the impact that has had on costs and consumer purchases.

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. Further details are set out in Note 17.

### Capital structure, cash flow and liquidity

Having achieved profitability after a number of years of substantial losses, and repaid loans used at the time of the purchase of the *Potter & Moore* business, the Group's cash flow has improved substantially since the *Potter & Moore* acquisition in the mid 2000s. The business is funded using invoice financing, a bank facility secured against its assets. Further details are set out in Note 20.

### Financial

The profit for the year is shown in the attached consolidated income statement. The directors do not recommend the payment of a dividend (2010 – 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 and Chief Executive)
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 Nick O'Shea and Mary Carney.

## Directors' report

### Directors' interests

The directors who held office at 31 March 2011 had the following beneficial interests in the shares of the company:

	<i>31 March 2011</i>		<i>1 April 2010</i>	
	<i>1p ordinary shares</i>		<i>1p ordinary shares</i>	
	<i>Shares</i>	<i>Options</i>	<i>Shares</i>	<i>Options</i>
William McIlroy	14,916,000	1,303,275	14,916,000	1,628,275
Bernard Johnson	3,344,569	1,303,275	3,344,569	1,628,275
Nick O'Shea	31,000	—	31,000	—
William Glencross	—	—	—	300,000

Mr McIlroy's holding noted above includes 14,450,000 (2010 – 14,450,000) shares held in the name of Oratorio Developments Ltd, a private company of which Mr McIlroy is a director and controlling shareholder.

On 11 July 2011 Mr William Glencross acquired 67,500 Ordinary shares of 1p each. There were no other changes between 31 March 2011 and 19 July 2011.

The share options detailed above as at 31 March 2011 were granted on 18 February 2011 to Messrs McIlroy and Johnson in accordance with the rules of the share option scheme, following the expiry of options which had been granted in 2004 to them and to William Glencross when he was also an executive director of the Company. The Company does not make grants of share options to non-executive directors. See note 23 for further detail

### Directors' insurance

The Company has purchased insurance cover for the directors against liabilities arising in relation to the Group.

### Substantial interests

At 21 July 2011 the following substantial interests, being 3% or more of the ordinary shares in issue, had been notified to the Company:

	<i>Number of shares</i>	<i>% held</i>
Mr WO McIlroy (including Oratorio Developments Ltd)	14,916,000	27.38%
Mr D Abell	3,807,150	7.00%
Mr BJM Johnson	3,344,569	6.14%
Mr T Amies	2,955,000	5.42%
Mr B Dale	2,451,740	4.50%

Mr McIlroy's holding includes 14,450,000 (26.54%) shares held by Oratorio Developments Ltd, a company of which he is a director and controlling shareholder of which 3,700,000 (6.79%) shares are registered in the name of Hargreave Hale Nominees Ltd.

Mr Abell's holding represents his beneficial ownership of 3,307,150 (7.00%) 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.

Mr Johnson's holding includes 3,184,569 (5.85%) shares of which he is the beneficial owner and which are registered in the name of Hargreave Hale Nominees Ltd.

Share structure and rights are included in Note 21.

## Directors' report

### Going concern

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

### 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 2011 was 42 (2010 – 41).

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

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

1. To receive and consider the Company's financial statements and reports of the directors and auditor for the year ended 31 March 2011.
2. To receive and approve the Directors' remuneration report for the year ended 31 March 2011.
3. To reappoint Mr N O'Shea retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.
4. To reappoint Ms M Carney 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 give authority to the directors to allot shares pursuant to Section 551 of the Companies Act 2006. This authorises the Company for a period of up to 15 months, or until the next AGM if sooner, to allot 1p Ordinary Shares up to an aggregate nominal value of £181,596.25, being a further one third of the Company's present issued share capital as a rights issue.
7. As a special resolution, to grant a limited disapplication of the statutory pre-emption rights contained in Section 570 of the Companies Act 2006. This authorises the Company for a period of up to 15 months, or until the next AGM if sooner, to allot 1p Ordinary Shares up to an aggregate nominal value of £27,239.44, being 5% of the Company's present issued share capital, without first offering them as a rights issue to existing share holders;
8. As a special resolution, to give a limited power to the Company to purchase its own shares. This authorises the Company for a period of up to 15 months, or until the next AGM if sooner, to purchase 1p Ordinary Shares up to a maximum aggregate nominal value of £27,239.44, 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' report

### Directors standing for re-election

Mr Nicholas DJ O'Shea, BSc ACMA has been the company secretary for nearly 14 years and a director since 2001. He is a CIMA qualified management accountant, and works with a number of private companies and public bodies in various financial, management or advisory capacities.

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

### Directors' confirmations

In the case of each of the persons who are acting as directors of the Company at the date 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 2006) 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.

### Auditor

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*

21 July 2011

1210 Lincoln Road  
Peterborough PE4 6ND

## Directors' remuneration report

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006. 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 Accounting Regulations. This report has therefore been divided into separate sections for audited and unaudited information.

In the opinion of the Remuneration 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 Nick O'Shea and Mary Carney. In determining the directors' remuneration the committee consulted the Executive Chairman, William McIlroy. There have been two meetings of the committee during the period, attended by both Ms Carney and Mr O'Shea.

#### Policy on directors' remuneration

The policy of the Company on executive remuneration 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 2011, and as a consequence, provision for payment of the profit related performance bonus has been made in the financial statements, and will be made as required by the contracts within one month of the approval and publication of these financial statements.

The contract for Mr McIlroy's services as a director provides for a performance bonus payment to Mr McIlroy's employer (Lesmac Securities Ltd) should the Group achieve profitability, on a scale of 12½% of the pre-tax audited profits up to £50,000, 7½% 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 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 one third of the book value of the net assets of the group so disposed.



## Directors' remuneration report

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 12½% of the pre-tax audited profits up to £50,000, 7½% 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. Those options held by members of the Board are exercisable at 2p per share, between 23 February 2014 and 22 February 2021.

Further detail of share options held by directors is given below, and of all options granted by the Company in note 23 (Share Based Payments).

### Pension arrangements

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

### Benefits

William Glencross is a member of the Group's medical scheme.

### 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 directors is scheduled below:

<i>Name of Director</i>	<i>Date of service contract</i>	<i>Date contract last amended</i>	<i>Notice period</i>
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)	31 Jul 2005	1 Sep 2006	None

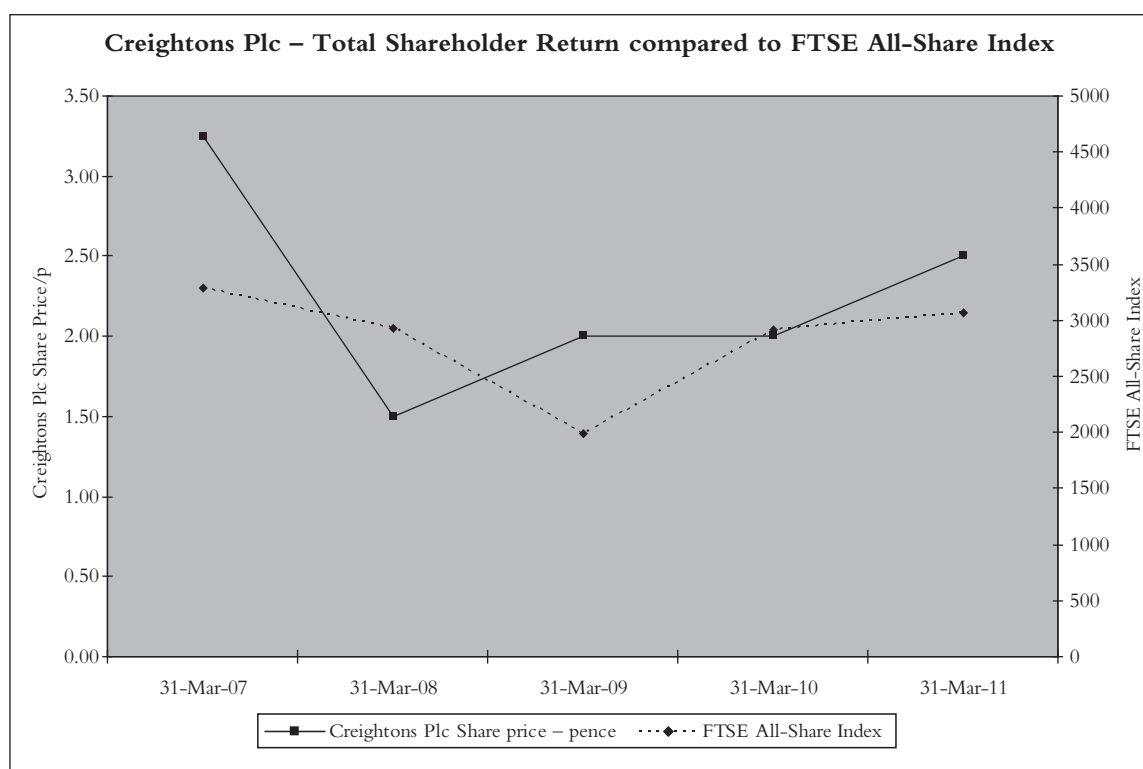
## Directors' remuneration report

### 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.

### Performance graph

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



The market price at 31 March 2011 was 2.5p.

## Directors' remuneration report

### Audited Information

#### Directors' emoluments

	<i>Salaries/Fees</i> <i>£000</i>	<i>Bonus</i> <i>£000</i>	<i>Benefits</i> <i>£000</i>	<i>Total 2011</i> <i>£000</i>	<i>Total 2010</i> <i>£000</i>
WO McIlroy	–	12	–	12	20
MT Carney	8	–	–	8	8
BJM Johnson	88	12	–	100	108
NDJ O'Shea	13	–	–	13	10
WT Glencross	12	–	1	13	13
<b>Total</b>	<b>121</b>	<b>24</b>	<b>1</b>	<b>146</b>	<b>159</b>

### Share Options

New share options were issued to the executive directors to replace those that lapsed on 8 January 2011. The Board decided that it would be beneficial to incentivise members of the senior management team resulting in fewer options being issued to the executive directors.

#### As at 31 March 2011

	<i>Number</i> <i>of shares</i>	<i>Exercise</i> <i>price</i>	<i>Date from</i> <i>which exercisable</i>	<i>Expiry</i> <i>Date</i>
WO McIlroy	1,303,275	2.0p	23 February 2014	22 February 2021
BJM Johnson	1,303,275	2.0p	23 February 2014	22 February 2021

#### As at 31 March 2010

	<i>Number</i> <i>of shares</i>	<i>Exercise</i> <i>price</i>	<i>Date from</i> <i>which exercisable</i>	<i>Expiry</i> <i>Date</i>
WO McIlroy	1,628,275	2.75p	9 January 2007	8 January 2011
BJM Johnson	1,628,275	2.75p	9 January 2007	8 January 2011
W T Glencross	300,000	2.75p	9 January 2007	8 January 2011

### Pension entitlements

No pension contributions are made in respect of directors.

### 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) as adopted by the European Union 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 the Companies Act 2006 and Article 4 of the IAS Regulation. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company for that period.

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

## **Directors' remuneration report**

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 IFRS. The directors are also required to:

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

The directors are responsible for maintaining proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence 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.

### **Directors' responsibility statement pursuant to DTR4**

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

- The Group and Company financial statements in this report have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretations, the Companies Act 2006 applicable to companies reporting under IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group; and
- The contents of this report include a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

### **Approval**

This report was approved by the Board of Directors on 21 July 2011 and signed on its behalf by:

Nicholas O'Shea  
*Company Secretary*  
*Remuneration Committee*

## Independent Auditor's Report to the members of Creightons Plc

We have audited the financial statements of Creightons plc for the year ended 31 March 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, the consolidated and company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### Respective responsibilities of directors and auditor

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

## **Independent Auditor's Report to the members of Creightons Plc**

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

**DAVID JAMES** (Senior Statutory Auditor)

for and on behalf of CHANTREYVELLACOTT DFK LLP

*Chartered Accountants and Statutory Auditor*

London

21 July 2011



**Consolidated income statement**

for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Revenue	4	<b>14,130</b>	13,590
Cost of sales		<b>(8,202)</b>	(7,837)
<b>Gross profit</b>		<b>5,928</b>	5,753
Distribution costs		<b>(654)</b>	(511)
Administrative expenses		<b>(5,107)</b>	(4,908)
<b>Operating profit</b>	5	<b>167</b>	334
Finance costs	7	<b>(32)</b>	(31)
<b>Profit before tax</b>		<b>135</b>	303
Taxation	8	<b>–</b>	–
<b>Profit for the period from continuing operations</b>		<b>135</b>	303
<b>Earnings per share</b>			
Basic	9	<b>0.25p</b>	0.56p
Diluted	9	<b>0.23p</b>	0.51p

The profit of the parent company was nil (2010 – nil).

**Consolidated statement of comprehensive income**

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Profit for the period from continuing operations	<b>135</b>	303
Exchange differences on translating foreign operations	<b>23</b>	18
Release of cash flow hedge	<b>–</b>	(179)
<b>Total comprehensive income for the period attributable to the equity shareholders of the company</b>	<b>158</b>	142

There are no movements to be recognised through the parent company statement of comprehensive income in 2011 or 2010.

**Consolidated balance sheet**

at 31 March 2011

	Note	31 March 2011 £'000	31 March 2010 £'000
<b>Non-current assets</b>			
Goodwill	10	343	331
Other intangible assets	11	168	154
Property, plant and equipment	12	376	394
		887	879
<b>Current assets</b>			
Inventories	14	3,025	2,770
Trade and other receivables	15	2,578	2,013
Cash and cash equivalents	16	96	49
		5,699	4,832
<b>Total assets</b>		<b>6,586</b>	<b>5,711</b>
<b>Current liabilities</b>			
Trade and other payables	18	2,155	1,822
Obligations under finance leases	19	6	16
Bank overdrafts and loans	20	611	216
		2,772	2,054
<b>Net current assets</b>		<b>2,927</b>	<b>2,778</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	19	1	7
<b>Total liabilities</b>		<b>2,773</b>	<b>2,061</b>
<b>Net assets</b>		<b>3,813</b>	<b>3,650</b>
<b>Equity</b>			
Share capital	21	543	543
Share premium account		1,229	1,229
Other reserves	22	38	38
Share-based payment reserve		30	69
Translation reserve		(32)	(53)
Retained earnings		2,005	1,824
<b>Total equity attributable to the equity shareholders of the parent company</b>		<b>3,813</b>	<b>3,650</b>

These financial statements were approved by the board of directors and authorised for issue on 21 July 2011.

They were signed on its behalf by:

Nicholas O'Shea

Director

**Company registration number 1227964**

**Company balance sheet**

at 31 March 2011

	Note	31 March 2011 £000	31 March 2010 £000
<b>Non-current assets</b>			
Investment in subsidiaries	13	72	60
		72	60
<b>Current assets</b>			
Trade and other receivables	15	2,024	2,031
		2,024	2,031
<b>Total assets</b>		<b>2,096</b>	2,091
<b>Current liabilities</b>			
Trade and other payables	18	35	35
		35	35
<b>Net current assets</b>		<b>1,989</b>	1,996
<b>Total liabilities</b>		<b>35</b>	35
<b>Net assets</b>		<b>2,061</b>	2,056
<b>Equity</b>			
Share capital	21	543	543
Share premium account		1,229	1,229
Capital redemption reserve		18	18
Special reserve		1,441	1,441
Share-based payment reserve		30	69
Retained earnings		(1,200)	(1,244)
<b>Total equity attributable to the equity shareholders of the parent company</b>		<b>2,061</b>	2,056

These financial statements were approved by the board of directors and authorised for issue on 21 July 2011.  
They were signed on its behalf by:

Nicholas O'Shea  
Director

**Company registration number 1227964**

**Consolidated statement of changes in equity**

for the year ended 31 March 2011

	Share capital £000	Share premium account £000	Other reserves (note 22) £000	Share-based payment reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2009	543	1,229	38	63	179	(71)	1,521	3,502
Release of cash flow hedge	—	—	—	—	(179)	—	—	(179)
Exchange differences on translation of foreign operations	—	—	—	—	—	18	—	18
Additional provision	—	—	—	6	—	—	—	6
Net profit for the year	—	—	—	—	—	—	303	303
<b>At 31 March 2010</b>	<b>543</b>	<b>1,229</b>	<b>38</b>	<b>69</b>	<b>—</b>	<b>(53)</b>	<b>1,824</b>	<b>3,650</b>
Release of share based payment reserve to income statement	—	—	—	(44)	—	—	44	—
Exchange differences on translation of foreign operations	—	—	—	—	—	21	2	23
Additional provision	—	—	—	5	—	—	—	5
Net profit for the year	—	—	—	—	—	—	135	135
<b>At 31 March 2011</b>	<b>543</b>	<b>1,229</b>	<b>38</b>	<b>30</b>	<b>—</b>	<b>(32)</b>	<b>2,005</b>	<b>3,813</b>

**Company statement of changes in equity**

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
At 1 April 2009	543	1,229	18	1,441	63	(1,244)	2,050
Additional provision	—	—	—	—	6	—	6
<b>At 31 March 2010</b>	<b>543</b>	<b>1,229</b>	<b>18</b>	<b>1,441</b>	<b>69</b>	<b>(1,244)</b>	<b>2,056</b>
Additional provision	—	—	—	—	5	—	5
Release of share based payment reserve to retained earnings	—	—	—	—	(44)	44	—
<b>At 31 March 2011</b>	<b>543</b>	<b>1,229</b>	<b>18</b>	<b>1,441</b>	<b>30</b>	<b>(1,200)</b>	<b>2,061</b>

**Consolidated cash flow statement**

for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<b>Net cash (outflow)/inflow from operating activities</b>	29	<b>(160)</b>	151
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(108)	(77)
Expenditure on intangible assets and goodwill		(174)	(182)
Proceeds of disposal of plant and equipment		114	–
<b>Net cash used in investing activities</b>		<b>(168)</b>	(259)
<b>Cash flow from financing activities</b>			
Repayment of finance lease obligations		(16)	(15)
Increase/(decrease) in bank loans		395	(18)
<b>Net cash from/(used in) financing activities</b>		<b>379</b>	(33)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>51</b>	(141)
Cash and cash equivalents at start of period		49	194
Effect of foreign exchange rate changes		(4)	(4)
Cash and cash equivalents at end of period		96	49

**Company cash flow statement**

	Note	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<b>Net cash inflow from operating activities</b>	29	<b>12</b>	–
<b>Cash flow from investing activities</b>			
Investment in subsidiary		(12)	–
<b>Net cash used in investing activities</b>		<b>(12)</b>	–
<b>Net increase in cash and cash equivalents</b>		<b>–</b>	–
Cash and cash equivalents at start of period		–	–
Cash and cash equivalents at end of period		–	–

## Notes to the financial statements

for the year ended 31 March 2011

### 1 General information

Creightons Plc (the Company) was incorporated on 29 September 1975 in England; it is a public company, listed on the London Stock Exchange and domiciled in the United Kingdom.

These Financial Statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

### 2 Significant accounting policies

#### Basis of accounting

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 IAS regulation, and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis and there are no concerns for the foreseeable future that would change the basis on which the financial statements have been prepared.

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

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

At the date of authorisation of the financial information there were Standards and Interpretations, which have not been applied in the financial information, that were in issue but not yet effective. The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group or company, except for additional disclosures when the relevant Standards and Interpretations come into effect

#### 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 comprehensive 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.



## Notes to the financial statements

for the year ended 31 March 2011

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

A separate income statement for the Company has not been presented as permitted by section 408 of the Companies Act 2006.

#### Goodwill

Goodwill on consolidation 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 income statement 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.

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 shareholder's 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.

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

## Notes to the financial statements

for the year ended 31 March 2011

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

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 pound sterling, which are 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.

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, except when deferred in equity as qualifying cash flow hedges.

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 when appropriate to do so – see below for the Group's accounting policies in respect of such derivative financial instruments.

#### 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.

## Notes to the financial statements

for the year ended 31 March 2011

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

#### 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 recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary timing differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax is calculated using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and 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 less any residual values over their estimated useful lives using the straight line method on the following basis:

	<i>% per annum</i>
Plant and machinery	10 – 20
Fixtures and fittings	10 – 33
Computers	25 – 33

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

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 in the income statement.

## Notes to the financial statements

for the year ended 31 March 2011

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

#### Research and development expenditure

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

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

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

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. 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 to four years

#### Impairment of assets (excluding goodwill)

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.

#### Investments

Investments in subsidiary companies are stated at cost less any provision for impairment.

#### 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 price 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.

## Notes to the financial statements

for the year ended 31 March 2011

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

#### 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.

#### Trade payables and loans

Trade payables and loans are initially measured at fair value and are subsequently measured at amortisation cost, using the effective interest 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 foreign exchange rate risk where considered appropriate. The Group does not use derivative financial instruments for speculative purposes. Further details of derivative financial instruments are disclosed in note 17 to the financial statements.

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

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

#### Share based payments

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.

## Notes to the financial statements

for the year ended 31 March 2011

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

#### Taxation

A judgement is required in determining the provision for Corporation tax. There are some calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The group recognises tax liabilities on the best estimate of whether tax liabilities will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which such determination is made.

#### Key sources of estimation uncertainty

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

#### Impairment of goodwill

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

#### Impairment of product development costs

Management review the recoverability of capitalised product development costs throughout the year and will charge amortisation to reflect any impairment arising from a reduction in the anticipated lifecycle of the products. At the balance sheet date all products were considered to have product lifecycles which were in line with the accounting policies noted in 2 above.

#### Provisions

As described in the accounting policies in note 2 above the Group assesses provisions as the Directors' best estimate of the expenditure required to settle obligations at the balance sheet date. These estimates are made taking account of information available and different possible outcomes. Estimates relating to the net realisable value of inventories and recoverability of trade receivables are areas where the Directors' best estimates have been applied in the current financial year.

### 4 Business and geographic segments

For management purposes the Group is organised into one operating division which operates in one business segment. The Group commenced trading in North America in May 2007. 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.

## Notes to the financial statements

for the year ended 31 March 2011

### 5 Operating profit

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Net foreign exchange profit	53	115
Cost of inventories recognised as expense	8,463	8,057
Write downs of inventories recognised as an expense	69	161
Research and development costs	224	210
Depreciation of property, plant and equipment		
– owned assets	106	106
– leased assets	8	12
Amortisation of intangible assets	148	140
Staff costs	3,709	3,647
Auditor's remuneration for audit services	26	26
Operating lease rental expense		
– Land & buildings	350	350
– Other	36	35

The analysis of auditor's remuneration is as follows:

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Audit services		
Fees payable to the company's auditor for the audit of the parent company and the group financial statements	21	21
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 2011

### 6 Staff costs

The average number of employees (including directors) was:

	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number
Management	9	8
Administration	44	41
Production	104	101
Total	157	150

Their aggregate remuneration comprised:

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Wages and salaries	3,432	3,328
Social security costs	314	295
Pension contributions	24	24
Total	3,770	3,647

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

### 7 Finance costs

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Interest on bank overdrafts and loans	31	29
Interest on obligations under finance leases	1	2
Total	32	31

### 8 Taxation

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Current tax	—	—
Deferred tax	—	—
Total	—	—



## Notes to the financial statements

for the year ended 31 March 2011

### 8 Taxation (continued)

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

	Year ended 31 March 2011 £000	Year ended 31 March 2011 %	Year ended 31 March 2010 £000	Year ended 31 March 2010 %
Profit before tax	135	–	303	–
Tax charge at the UK corporation tax rate of 28% (2010 – 28%)	(38)	(28.0)	(85)	(28.0)
Tax effect of expenses that are not deductible in determining taxable profit	(1)	(0.7)	(2)	(0.7)
Tax effect of utilisation of brought forward tax losses	39	28.7	87	28.7
Total expense and effective rate for the year	–	–	–	–

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

At the balance sheet date, the Group has unused tax losses of £2,933,000 (2010 – £2,977,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. All losses may be carried forward indefinitely and utilised against profits of the same trade.

### 9 Earnings per share

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

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<b>Earnings</b>		
Net profit attributable to the equity shareholders of the parent company	135	303
	Year ended 31 March 2011 Number	Year ended 31 March 2010 Number
<b>Number of shares</b>		
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	5,426,550
Weighted average number of ordinary shares for the purposes of diluted earnings per share	59,702,426	59,702,426

## Notes to the financial statements

for the year ended 31 March 2011

### 10 Goodwill

	Year ended 31 March 2011 £'000
<b>Cost</b>	
At 1 April 2009 and 31 March 2010	364
Additions	12
At 31 March 2011	376
<b>Accumulated impairment losses</b>	
At 1 April 2009, 31 March 2010 and at 31 March 2011	33
<b>Carrying Amount</b>	
At 1 April 2008 and 31 March 2009	331
At 31 March 2011	343

Goodwill relates to the Potter & Moore business acquired in March 2003 and the costs associated with setting up TS Ventures Ltd in August 2010.

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

The recoverable amount is determined from a value in use calculation. The key assumptions used for the value in use calculation are the discount rate, sales and margin projections, expected changes in direct and indirect costs during the five year forecast, a growth rate of 0% 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 cash generating unit which is in line with historical growth rates for the business sector. The pre tax discount rate is based upon the group's weighted average cost of capital adjusted for specific risks relating to the sector and country, as this is believed to be the most appropriate to be used.

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

**Notes to the financial statements**

for the year ended 31 March 2011

**11 Other intangible assets****Group**

	Acquired computer software £000	Product development costs £000	Total £000
<b>Cost</b>			
At 1 April 2009	42	229	271
Additions	23	159	182
Disposals	–	(53)	(53)
At 31 March 2010	65	335	400
Additions	17	145	162
Disposals	–	(179)	(179)
At 31 March 2011	82	301	383
<b>Accumulated amortisation</b>			
At 1 April 2009	20	139	159
Amortisation for the year	10	130	140
Disposals	–	(53)	(53)
At 31 March 2010	30	216	246
Amortisation for the year	13	135	148
Disposals	–	(179)	(179)
At 31 March 2011	43	172	215
<b>Carrying value</b>			
At 1 April 2009	22	90	112
At 31 March 2010	35	119	154
At 31 March 2011	39	129	168

**Notes to the financial statements**

for the year ended 31 March 2011

**12 Property, plant and equipment****Group**

	Property, plant and equipment £000
<b>Cost</b>	
At 1 April 2009	1,734
Additions	77
At 31 March 2010	1,811
Additions	108
Disposals	(85)
At 31 March 2011	1,834
<b>Accumulated depreciation</b>	
At 1 April 2009	1,299
Depreciation for the year	118
At 31 March 2010	1,417
Depreciation for the year	114
Disposals	(73)
At 31 March 2011	1,458
<b>Carrying value</b>	
At 1 April 2009	435
At 31 March 2010	394
At 31 March 2011	376

Included within plant and equipment are assets held under finance leases with a carrying value of £37,000 (2010 – £49,000) on which depreciation of £8,000 (2010 – £12,000) has been charged during the year.

## Notes to the financial statements

for the year ended 31 March 2011

### 13 Investments in subsidiaries

Details of the Company's subsidiaries at 31 March 2011 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 Hair Design Studio Limited	England	100%
The Sensual Secrets Company Limited	England	100%
Creightons Naturally Limited	England	100%
Groomed Limited	England	100%
TS Ventures Limited	England	55%
Twisted Sista Limited	England	100%
Mother Goose Limited	England	75%

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 a distribution of personal care products. TS Ventures Ltd and Mother Goose Ltd were set up during the period and acquired the intellectual property rights of the Twisted Sista and Mother Goose brands and no trading activities took place during the period. All other subsidiaries were dormant throughout the years ended 31 March 2011 and 31 March 2010.

### 14 Inventories

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Raw materials	782	837	—	—
Work in progress	186	191	—	—
Finished goods	2,057	1,742	—	—
	3,025	2,770	—	—

Inventories with a carrying value of £3,025,000 (2010 – £2,770,000) 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 2011

### 15 Trade and other receivables

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade receivables	2,249	1,940	—	—
Amounts receivable from subsidiaries	—	—	2,024	2,031
Other debtors	144	—	—	—
Prepayments and other receivables	185	73	—	—
	2,578	2,013	2,024	2,031

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

Other debtors relate to a reasonable assessment of the amounts receivable in respect of outstanding insurance claims as a result of the fire affecting one of the Group's warehouses on 14 December 2010. Insurance receipts since the year end support this assessment.

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

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

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade receivables	2,264	1,976	—	—
Less impairment provision	(15)	(36)	—	—
	2,249	1,940	—	—

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

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
At 1 April	36	12	—	—
Charge in current year income statement	(21)	24	—	—
At 31 March	15	36	—	—

There were £15,000 (2010 – £75,000) trade receivables that were overdue at the balance sheet date that have not been provided against. There are no indications as at 31 March 2011 that the debtors will not meet their payment obligations in respect of the amount of trade receivables recognised in the balance sheet that are overdue and not provided. The proportion of trade receivables at 31 March 2011 that were overdue for payment was 0.7% (2010 – 3.9%).

## Notes to the financial statements

for the year ended 31 March 2011

### 16 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity rate of three months or less. The carrying amounts of these assets approximates to their fair value.

An analysis of the amounts at the year end is as follows:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Cash at bank and in hand	30	25	—	—
Sterling equivalent of deposit denominated in US dollars	66	24	—	—
	96	49	—	—

### 17 Financial instruments and treasury risk management

Exposures to credit, interest and currency risks arise in the normal course of the Group's business. Risk management policies and hedging activities are outlined below. Derivative financial instruments were used to hedge exposure to significant foreign exchange fluctuations in accordance with the Groups' policies which are set out in the accounting policies in note 2.

#### Credit risk

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

The majority of trade receivables in the UK and North America is with retail customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Impairment provisions on trade receivables have been disclosed in note 15.

#### Interest rate risk

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

#### Interest rate sensitivity

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2011 would increase/decrease by £8,000 (2010 – £11,000). The Group's sensitivity to interest rates has reduced during the current year mainly due to the reduction in the average working capital facilities used in the year.

## Notes to the financial statements

for the year ended 31 March 2011

### 17 Financial instruments and treasury risk management *(continued)*

#### Foreign currency risks

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

Transaction risk arises on income and expenditure in currencies other than the functional currency of each Group Company. The magnitude of this risk is relatively low as the majority of the Group's income and expenditure are denominated in the functional currency. Approximately 11% of the Group's income is denominated in US dollars and 0.1% in Euros. Approximately 16% of the Group's expenditure is denominated in dollars and 4% denominated in Euros.

#### Foreign currency sensitivity

A 5% strengthening of sterling would result in a £62,000 (2010 – £51,000) increase profits and equity. A 5% weakening in Sterling would result in a £68,000 (2010 – £56,000) decrease in profits and equity.

When appropriate the Group utilises currency derivatives to hedge against significant future transactions and cash flows. The Group is not party to foreign currency forward contracts in the management of its exchange risk exposure at 31 March 2011. The instruments purchased are in the currency used by the Group's principal overseas suppliers.

#### Liquidity risk

The Group has no long term borrowing requirements and manages its working capital requirements through overdrafts and invoice finance facilities. These facilities are due to be renewed in March 2012. The maturity profile of the committed bank facilities is reviewed regularly and such facilities are extended or replaced well in advance of their expiry. The Group has complied with all of the terms of these facilities. At 31 March 2011 the group had available £1,536,000 (2010 – £2,063,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

### 18 Trade and other payables

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade payables	1,502	1,032	–	–
Social security and other taxes	242	350	–	–
Accrued expenses	411	440	–	–
Amounts payable to subsidiary undertakings	–	–	35	35
	2,155	1,822	35	35



## Notes to the financial statements

for the year ended 31 March 2011

### 19 Obligations under finance leases

#### Group

	Minimum Lease payments	
	2011	2010
	£000	£000
Amounts payable under finance leases		
Within one year	6	16
Between two to five years	1	7
Total minimum lease payments	7	23

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.

### 20 Bank overdrafts and loans

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank overdraft	1	—	—	—
Borrowings under invoice finance facilities	610	216	—	—
	611	216	—	—

The borrowings are repayable on demand or within one year.

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	
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank overdrafts	3.2	3.2	—	—
Borrowings under invoice finance facilities	2.7	2.7	—	—

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

**Notes to the financial statements**

for the year ended 31 March 2011

**21 Share capital**

	Ordinary shares of 1p each			
	2011		2010	
	£000	Number	£000	Number
Authorised	<b>1,223</b>	<b>122,346,000</b>	1,223	122,346,000
Issued and fully paid	<b>543</b>	<b>54,275,876</b>	543	54,275,876

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

On 11 July 2011 the Company issued 203,000 Ordinary shares of 1p each – see note 27.

**22 Other reserves****Group**

	Capital reserve £000	Special reserve £000	Capital redemption reserve £000	Total other reserves £000
At 1 April 2009, 31 March 2010 and 31 March 2011	7	13	18	38

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 2011 goodwill written off amounts to £2,575,000 (2010 – £2,575,000).

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

## Notes to the financial statements

for the year ended 31 March 2011

### 23 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			
	2011 Number	Weighted average exercise price	2010 Number	Weighted average exercise price
Outstanding at the beginning of the period	5,426,550	2.52p	5,426,550	2.52p
Granted in the period	4,256,550	2.0p	—	—
Lapsed in the period	(4,256,550)	2.75p	—	—
Outstanding at the end of the period	5,426,550	1.93p	5,426,550	2.52p

Out of the 5,426,550 outstanding options at 31 March 2011, no options were exercisable under current circumstances.

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

Granted	Exercise period	Number	Exercise price
January 2007	2010 – 2014	100,000	4.75p
December 2008	2011 – 2015	1,070,000	1.38p
February 2011	2014 – 2021	4,256,550	2.00p
Outstanding at the end of the period		5,426,550	

The share options granted during the year (2010 – none issued) have been valued using a Black-Scholes model. The inputs to the Black-Scholes model are as follows:

	Year ended 31 March 2011
Weighted average share price (pence)	2.13p
Weighted average exercise price (pence)	2.00p
Expected volatility (%)	22.9%
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 £5,000 (2010 – £6,000) related to share-based payments.

## Notes to the financial statements

for the year ended 31 March 2011

### 24 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 £24,000 (2010 – £24,000) and cash contributions were £20,000 (2010 – £14,000).

### 25 Operating lease arrangements

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

	Year ended 31 March 2011 £000	Group Year ended 31 March 2010 £000	Year ended 31 March 2011 £000	Company Year ended 31 March 2010 £000
Minimum lease payments under operating leases recognised as an expense in the year	386	385	—	—

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

	2011 £000	Group 2010 £000	2011 £000	Company 2010 £000
Within one year	385	385	—	—
In the second to fifth years inclusive	1,431	1,438	—	—
After five years	1,395	1,745	—	—
Total	3,211	3,568	—	—

### 26 Capital commitments

	2011 £000	Group 2010 £000	2011 £000	Company 2010 £000
Contracts placed for future capital expenditure not provided for in the financial statements	144	—	—	—

### 27 Post balance sheet event

On 11 July 2011 the Company issued 203,000 Ordinary shares of 1p each fully paid for cash at 2p per share which was the average mid market price of the previous three days. The net effect would be to increase net assets and reduce borrowings by £4k.

### 28 Related party transactions

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

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

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Charges for management services	5	6

## Notes to the financial statements

for the year ended 31 March 2011

### 28 Related party transactions *(continued)*

The amounts owed by and to subsidiary companies are:

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Amounts receivable from subsidiary undertakings	2,036	2,031
Amounts payable to subsidiary undertakings	(35)	(35)

### Oratorio Developments Limited

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

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Rental charges	350	350
Re-imbursement of property insurance costs	24	12
Re-imbursement of costs incurred on behalf of the landlord	(42)	–
Utility charges	–	2
Total	332	364

### Amounts owed to Oratorio Developments Ltd

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Amounts payable	105	99

### Amounts owed by Oratorio Developments Ltd

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Amounts receivable	5	–

### 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 22.

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Salaries and other short term benefits	146	159
Total	146	159

## Notes to the financial statements

for the year ended 31 March 2011

### 29 Notes to cash flow statement

#### Group

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<b>Profit from operations</b>	<b>167</b>	334
Adjustments for:		
Depreciation on property, plant and equipment	114	118
(Gain) on disposal of property, plant & equipment	(102)	–
Amortisation of intangible assets	148	140
Share-based payment charge	5	6
Other non cash items	–	12
	<b>332</b>	610
(Increase) in inventories	(277)	(224)
(Increase) in trade and other receivables	(582)	(483)
Increase in trade and other payables	399	279
<b>Cash (utilised in)/generated from operations</b>	<b>(128)</b>	182
Interest paid	(32)	(31)
<b>Cash (outflow)/inflow from operating activities</b>	<b>(160)</b>	151

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 and short term deposits.

#### Company

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<b>Profit from operations</b>	<b>–</b>	–
Adjustments for:		
Share-based payment charge	5	6
	<b>5</b>	6
Increase/(decrease) in trade and other receivables	7	(6)
<b>Cash inflow from operating activities</b>	<b>12</b>	–

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 and short term deposits.





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