

**Creightons Plc**  
**Annual report**  
**For the year ended 31 March 2013**

Registered Number 1227964

**Creightons Plc**  
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**For the year ended 31 March 2013**

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**Directors and advisers**

**Directors**

William O McIlroy  
Bernard JM Johnson  
William T Glencross  
Mary T Carney  
Nicholas DJ O'Shea

Executive Chairman and Chief Executive  
Managing Director  
Non-executive Director  
Non-executive Director  
Non-executive Director

**Registered Office and number**

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

**Company Secretary**

Nicholas DJ O'Shea, BSc ACMA CGMA

**Auditor**

Chantrey Vellacott DFK LLP  
Russell Square House  
10-12 Russell Square  
London  
WC1B 5LF

**Registrars**

Capita Registrars Limited  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD8 0GA

**Bankers**

HSBC Bank Plc  
Cathedral Square  
Peterborough  
PE1 1XL

**Solicitors**

Coole & Haddock  
5 The Steyne  
Worthing  
West Sussex  
BN11 3DT

**Financial Advisers**

Cairn Financial Advisers LLP  
61 Cheapside  
London  
EC2V 6AX

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**Chairman's statement**

I am pleased to report that in 2012/13 we achieved another year of growth and consolidation, and that the consolidated Group pre-tax profit for the year ended 31 March 2013 was £302,000 (2012: £223,000). This continued improvement in profits has been achieved despite the on-going tough trading environment with customers seeking improving value to offer the consumer. In particular our private label ranges have faced increased price and promotion pressure from the big brands which has adversely affected sales volumes.

To combat the effects of lower underlying demand we have successfully generated sales growth by introducing new customers and developing new product ranges. The new business generated over the past couple of years is more evenly spread through the year, virtually eliminating the seasonality that characterised the business in previous years.

Margins remain under pressure with customers seeking to recover lost margin. We will continue our programme of managing costs and our product offering in order to be in a position to respond to customer pressure whilst maintaining our own profitability.

**Financial results**

Group sales this year at £17,326,000 are £993,000 (6%) higher than last year (2012: £16,333,000), continuing the upward growth in sales volumes we have been recording over the past three years. This year's growth has come from a combination of our own UK branded ranges, private label and contract manufacture, representing all three strands of our business. Much of this growth has been driven by new ranges and new customer listings for existing ranges with limited growth from on-going sales with existing customers.

Changes in product mix, particularly relating to new ranges, together with improved purchasing and production efficiencies have resulted in an increased gross margin percentage of 42.8%, an increase of 0.7% on last year (2012:- 42.1%). Administration costs, which include product research and development as well as sales promotion and product support, have risen as we invest in support and promotional activity to drive new sales opportunities.

Profit before tax and interest for the year of £333,000 (2012: £257,000) represents an increase of 30% (with an increase of 99% compared to 2011). Lower average borrowings than in the previous period resulted in slightly lower interest costs of £31,000 (2012: £34,000).

Group profit after tax of £302,000 (2012: £223,000) therefore shows a further improved performance especially given the trading environment during the past year. Diluted earnings per share rose from 0.37p in 2012 to 0.51p for 2013 as a result of the increased earnings.

Net borrowings (bank overdraft and loans less cash at bank and in hand) at the year-end have increased by £142,000 to £874,000 (2012: £732,000). The main reason for the increase in borrowing is the higher working capital requirement at the end of the year. Inventories have increased as we have invested in new ranges and continued our drive to support customers with 100% product availability.

**Current year developments**

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

We are continuing to work hard to manage cost pressure through a combination of measures including managing customer prices, product re-engineering and enhancing our product portfolio with higher margin products. We have continued to develop new sales opportunities to compensate for the decline in the previously significant Christmas gifts part of the business.

As we expected, our main private label customers have responded to the pressures in the current economic climate with value strategies resulting in sales opportunities which we have exploited through lower priced products which have offset lower sales levels on higher priced products. Whilst we had anticipated that this would adversely affect margins, we have managed to counter this effect through a mix of continued cost control, increasing our branded product sales and margins and ensuring we seek value for money in product support, development and administration expenditure. 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. We are undertaking a major review of our planning and purchasing procedures in order to continue to improve our stock turn whilst maintaining customer service levels and reduce investment in working capital.

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

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**Chairman's statement**

The board has considered whether to declare a dividend this year, but although we have seen a further increase in annual profits, it feels that it continues to be more appropriate to retain profits to help fund the continued investment in growth than to 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, 20 June 2013**

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**Corporate governance report**

**Compliance**

The Listing Rules of the FCA require listed companies to disclose how they have applied the principles set out in The UK Corporate Governance Code (the Code) issued by the Financial Reporting Council and whether or not they have complied with its provisions. The Board is committed to the principles set out in the Code but judges that some of the processes are disproportionate or less relevant to the Company, given the relative small size and minimal complexity of the business.

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

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

**The Board**

Details of the all directors are set out below:

William McIlroy	Executive Chairman and Chief Executive
Bernard Johnson	Managing Director
Nicholas 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, 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 7 occasions during the year, including meetings by telephone. The attendance at meetings held during the year to 31 March 2013 for each of the Directors is as follows:

<b>Director</b>	<b>Board meetings</b>	<b>Remuneration Committee</b>	<b>Audit Committee</b>
William McIlroy	7	-	-
Bernard Johnson	7	-	-
Nicholas O'Shea	7	1	1
Mary Carney	6	1	1
William Glencross	6	-	-

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 Nicholas O'Shea. In determining policy for the executive directors, the Committee has given due consideration to the Code. The remuneration packages are designed to attract, retain and motivate executive directors of the required calibre. The Committee reviews the appropriateness of all aspects of directors' pay and benefits by taking into account the remuneration packages of similar businesses.

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**Corporate governance report**

**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 levels of pre-tax profits.

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

Full details of directors' remuneration and share options are noted in the Directors' Remuneration Report on page 12. Details of the directors' shareholdings are shown in the Directors' Report on page 7.

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

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

The key procedures designed to provide effective internal controls are:

- A clearly defined organisational structure with the appropriate delegation of authority to operational management.
- A comprehensive planning and budgeting process which requires the 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.

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

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

**Audit Committee**

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

- Monitor the integrity of the financial statements of the Group and any formal announcements relating to the group's financial performance and 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 auditor to supply non-audit services, taking into account relevant guidance regarding provision of non-audit services by the external audit firm;
- To advise the Board on whether the annual report is fair, balanced and understandable and provides information necessary for the users to assess the Group's performance, business model and strategy;
- To report to the Board on how it has discharged its responsibility.

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.

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**Directors' report**

The directors present their report on the affairs of the Group, together with the financial statements for the year ended 31 March 2013.

**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 current developments are referred to in the Chairman's statement on page 3.

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 registered in 1975 to continue the business of manufacturing and marketing toiletries made exclusively from natural products first established in 1953. It created a number of proprietary brands, although it focused mainly on private label and contract manufacturing. It was first listed on the London Stock Exchange in 1987. 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 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 on-going manufacturing at the *Potter & Moore Innovations* factory in Peterborough some years ago, and 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 and gradually increasing 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.

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 four 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.



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## **Directors' report**

### 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.

Over the past few years, the Group has invested in a number of brands along with the existing brand owners. The brands operate as brands within the existing branded products business stream. We will continue 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* 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. There was one incident involving employees or contractors on the Group's sites which was required to be reported to the Health & Safety Executive during the year (2012:0)

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.

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**Directors' report**

Financial Key Performance Indicators

	<b>2012/13</b>	<b>2011/12</b>	<b>Movement</b>
Sales	£17,326,000	£16,333,000	Increase by 6.1%
Gross Margin as a % of Revenue	42.8%	42.1%	Increase of 0.7%
Operating profit	£333,000	£257,000	Increase by 30%
Operating profit - as a % of Revenue	1.9%	1.6%	Increase of 0.3%
Return on capital employed	6.9%	5.5%	Increased of 1.4%
Bank overdraft and loans less cash in hand	£874,000	£732,000	Increased by 19.4%
Gearing (including obligations under finance leases)	20%	20%	Unchanged

Risks

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

It also monitors those 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 of financial risks 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 and Moore* acquisition in 2003. The business is funded using retained earnings and invoice discounting, a bank facility secured against its assets. Further details are set out in Notes 19 - 22.

**Financial**

The profit for the year is shown in the consolidated income statement on page 19. The directors do not recommend the payment of a dividend (2012: *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. Further details are set out on note 11.

**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 William McIlroy and Nicholas O'Shea.

**Directors' interests**

The directors who held office at 31 March 2013 had the following beneficial interests in the shares of the Company: -

Director	31 March 2013		1 April 2012	
	Number of shares	Options	Number of shares	Options
William O McIlroy	14,916,000	1,303,275	14,916,000	1,303,275
Bernard JM Johnson	3,484,569	1,303,275	3,484,569	1,303,275
Nicholas DJ O'Shea	31,000	-	31,000	-
William T Glencross	67,500	-	67,500	-

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Mr McIlroy's holding noted above includes 14,450,000 (2012: 14,450,000) shares held in the name of Oratorio Developments Ltd, a private company of which Mr McIlroy is a director and controlling shareholder.

There have been no changes between 31 March 2013 and 01 July 2013.

The share options detailed above as at 31 March 2013 were granted on 18 February 2011 to Messrs McIlroy and Johnson in accordance with the rules of the share option scheme. The Company does not make grants of share options to non-executive directors. See note 23 for further detail.

**Directors' insurance**

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

**Substantial interests**

At 01 July 2013 the following substantial interests, being 3% or more of the ordinary shares in issue, had been notified to the Company:

Shareholder	Number of shares	% held
Mr WO McIlroy (including Oratorio Developments Ltd)	14,916,000	27.38%
Mr T Amies	4,360,000	8.00%
Mr D Abell	3,807,150	6.99%
Mr BJM Johnson	3,484,569	6.40%
Mr B Dale	2,451,740	4.50%

Share structure and rights are included in Note 21.

**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 2013 was 51 days (2012: 47 days).

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

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

1. To receive and consider the Company's financial statements and reports of the directors and auditor for the year ended 31 March 2013.
2. To receive and approve the directors' remuneration report for the year ended 31 March 2013.
3. To reappoint Mr WO McIlroy retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.
4. To reappoint Mr NDJ O'Shea retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.
5. To reappoint Chantrey Vellacott DFK LLP as auditor and to authorise the directors to determine their remuneration.
6. To 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.

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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 shareholders.
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 standing for re-election**

William McIlroy, who has served as the Company's Chairman and Chief Executive for 13 years has extensive knowledge and experience of the personal care industry.

Nicholas O'Shea has been the company secretary for nearly 16 years and a director since 2001. A CIMA qualified management accountant, he is finance director with several privately-owned SMEs.

**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*  
04 July 2013

1210 Lincoln Road  
Peterborough PE4 6ND

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**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 D of the UK Corporate Governance Code (the Code), and in forming the remuneration policy, the Committee has given full consideration to that section of the 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 during the year and the prior year were Nicholas O'Shea and Mary Carney. In determining the directors' remuneration the committee consulted the Executive Chairman, William McIlroy. There has been one meeting of the Committee during the period, attended by both Ms Carney and Mr O'Shea.

**Policy on directors' remuneration**

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

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

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

**Salary and benefits**

Executive directors' salary and benefits packages are determined by the Committee on appointment or when responsibilities or duties change substantially, and are reviewed annually. The last review was undertaken during 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 2013, 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 1/3 of the book value of the net assets of the Group so disposed.

The contract for Mr Johnson's services as a manager provides for a performance bonus payment to Mr Johnson's employer (Carty Johnson Ltd) should the Group achieve profitability, on a scale of 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.

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**Directors' remuneration report**

**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:

<b>Name of Director</b>	<b>Date of service contract</b>	<b>Date contract last amended</b>	<b>Notice period</b>
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

**Non-executive directors**

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

Non-executives' fees are determined within the overall aggregate limit of £40,000 authorised by the Company's Articles of Association. The board as a whole considers the policy and structure for the non-executive directors' fees on the recommendation of the Chairman and Chief Executive. The non-executive directors do not participate in discussions on their specific levels of remuneration.

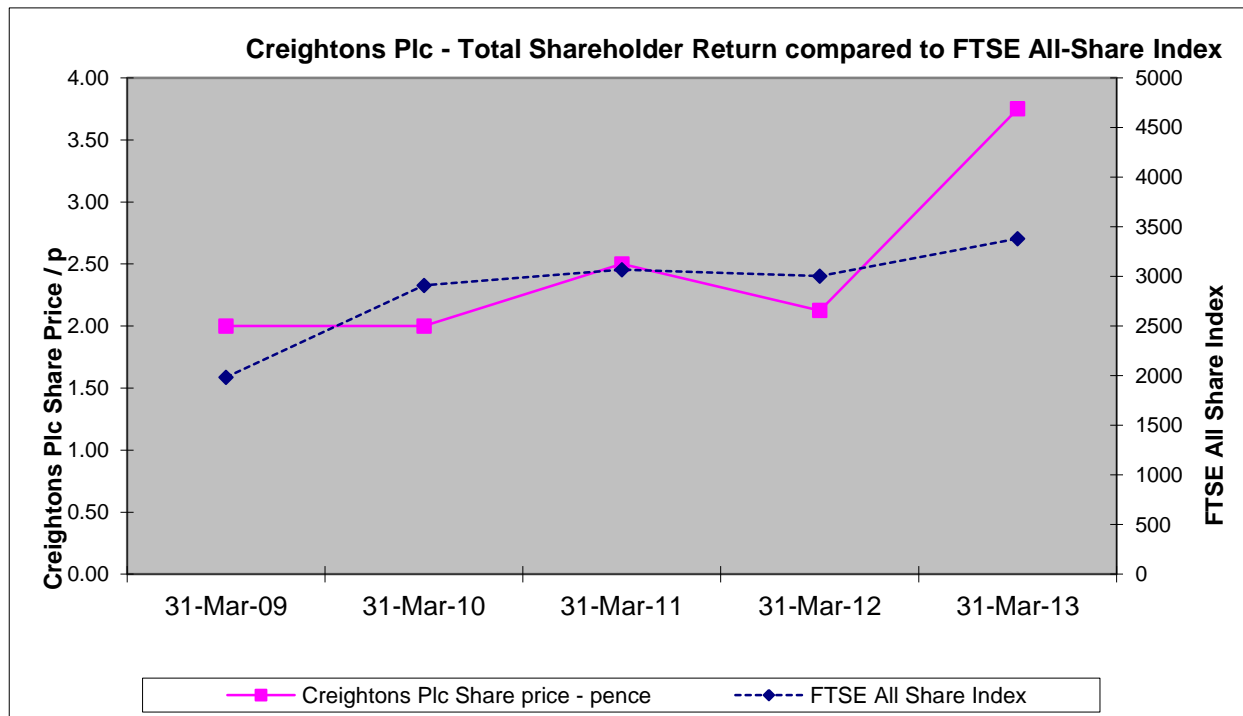
Non-executive directors may not be granted share options nor participate in any performance bonus, and are not eligible for pension contributions. The fees paid for non-executive directors consist of a flat annual fee based on the involvement each is anticipated to be required to commit to the Group, and both the time commitments and fee basis are reviewed annually. Any additional time commitments over these are paid on a pro rata per diem basis.

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**Directors' remuneration report**

**Performance graph**

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



The market price at 31 March 2013 was 3.375p.

**Audited Information**

**Directors' emoluments**

	Note	Salaries/ Fees £000	Bonus £000	Benefits £000	Total 2013 £000	Total 2012 £000
WO McIlroy	1	-	20	-	20	16
MT Carney		8	-	-	8	8
BJM Johnson	2	88	20	-	108	104
NDJ O'Shea	3	12	-	-	12	15
W T Glencross		12	-	1	13	13
<b>Total</b>		<b>120</b>	<b>40</b>	<b>1</b>	<b>161</b>	<b>156</b>

Note

- 1 All payments are made to Mr McIlroy's service company, Lesmac Securities Ltd.
- 2 Mr Johnson earns a salary of £10,000 per annum with all other payments made to his service company, Carty Johnson Limited.
- 3 All payments are made to Mr O'Shea's employer Saxon Coast Consulting Limited.

All other directors' remuneration is paid direct to the director.

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**Directors' remuneration report**

**Share options**

**As at 31 March 2013 and 2012**

	<b>Number of share</b>	<b>Exercise price</b>	<b>Date from which exercisable</b>	<b>Expiry Date</b>
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

All share options have performance criteria which require the share price to have achieved and remained for a period of not less than three consecutive trading days at a premium of at least one third over the share price at the time of grant before they become exercisable.

**Pension entitlements**

No pension contributions are made in respect of directors.

**Approval**

The Directors' remuneration report was approved by the Board of Directors on 04 July 2013 and signed on its behalf by

Nicholas O'Shea  
*Company Secretary*  
Remuneration Committee



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**Directors' responsibility statement**

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 IFRS, 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 assets, liabilities, income and expenses set out in the International Accounting Standard Board's Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. 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 International Financial Reporting Standards (IFRS) as adopted by the EU, IFRIC interpretations, 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 issuer and the undertakings included in the consolidation; 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**

The Directors' Responsibility Statement was approved by the Board of Directors on 04 July 2013 and signed on its behalf by

Nicholas O'Shea  
*Company Secretary*

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**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 2013 which comprise the consolidated income statement, the consolidated and parent company statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, the consolidated and parent company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

**Respective responsibilities of directors and auditor**

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

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the 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 in 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 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

In our opinion:

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

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**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 set out on page 10 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.
- certain elements of the report to the shareholders by the Board on directors' remuneration.

DAVID JAMES (Senior Statutory Auditor)  
for and on behalf of CHANTREY VELLACOTT DFK LLP  
Chartered Accountants and Statutory Auditor  
London  
04 July 2013

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**Consolidated income statement**

		<b>Year ended 31 March 2013 £000</b>	<b>Year ended 31 March 2012 £000</b>
	<b>Note</b>		
Revenue	4	17,326	16,333
Cost of sales		(9,902)	(9,461)
<b>Gross profit</b>		<b>7,424</b>	<b>6,872</b>
Distribution costs		(763)	(686)
Administrative expenses		(6,328)	(5,929)
<b>Operating profit</b>	<b>5</b>	<b>333</b>	<b>257</b>
Finance costs	7	(31)	(34)
<b>Profit before tax</b>		<b>302</b>	<b>223</b>
Taxation	8	-	-
<b>Profit for the period from continuing operations</b>		<b>302</b>	<b>223</b>

**Earnings per share**

Basic	9	0.55p	0.41p
Diluted	9	0.51p	0.37p

**Consolidated statement of comprehensive income**

		<b>Year ended 31 March 2013 £000</b>	<b>Year ended 31 March 2012 £000</b>
Profit for the period from continuing operations		302	223
Exchange differences on translating foreign operations		(22)	(1)
<b>Total comprehensive income for the period attributable to the equity holders of the parent</b>		<b>280</b>	<b>222</b>

**Company statement of comprehensive income**

		<b>Year ended 31 March 2013 £000</b>	<b>Year ended 31 March 2012 £000</b>
Loss for the period from continuing operations		(3)	-
<b>Total comprehensive income for the period</b>		<b>(3)</b>	<b>-</b>

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**Consolidated balance sheet**

		<b>31 March</b>	<b>31 March</b>
		<b>2013</b>	<b>2012</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Non-current assets</b>			
Goodwill	10	343	346
Other intangible assets	11	295	262
Property, plant and equipment	12	525	556
		<b>1,163</b>	<b>1,164</b>
<b>Current assets</b>			
Inventories	14	3,526	3,271
Trade and other receivables	15	2,811	3,040
Cash and cash equivalents	16	18	106
		<b>6,355</b>	<b>6,417</b>
<b>Total assets</b>		<b>7,518</b>	<b>7,581</b>
<b>Current liabilities</b>			
Trade and other payables	18	2,219	2,604
Obligations under finance leases	19	19	19
Bank overdrafts and loans	20	892	838
		<b>3,130</b>	<b>3,461</b>
<b>Net current assets</b>		<b>3,225</b>	<b>2,956</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	19	48	67
		<b>48</b>	<b>67</b>
<b>Total liabilities</b>		<b>3,178</b>	<b>3,528</b>
<b>Net assets</b>		<b>4,340</b>	<b>4,053</b>
<b>Equity</b>			
Share capital	21	545	545
Share premium account		1,231	1,231
Other reserves	22	38	38
Share-based payment reserve		51	44
Translation reserve		(55)	(33)
Retained earnings		2,530	2,228
<b>Total equity attributable to the equity shareholders of the parent company</b>		<b>4,340</b>	<b>4,053</b>

These financial statements were approved by the board of directors and authorised for issue on 04 July 2013. They were signed on its behalf by:

Bernard Johnson  
Managing Director

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**Company balance sheet**

		<b>31 March</b>	<b>31 March</b>
		<b>2013</b>	<b>2012</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Non-current assets</b>			
Investment in subsidiaries	13	72	75
		<b>72</b>	<b>75</b>
<b>Current assets</b>			
Trade and other receivables	15	2,046	2,039
		<b>2,046</b>	<b>2,039</b>
<b>Total assets</b>			
		<b>2,118</b>	<b>2,114</b>
<b>Current liabilities</b>			
Trade and other payables	18	35	35
		<b>35</b>	<b>35</b>
<b>Net current assets</b>			
		<b>2,011</b>	<b>2,004</b>
<b>Total liabilities</b>			
		<b>35</b>	<b>35</b>
<b>Net assets</b>			
		<b>2,083</b>	<b>2,079</b>
<b>Equity</b>			
Share capital	21	545	545
Share premium account		1,231	1,231
Capital redemption reserve		18	18
Special reserve		1,441	1,441
Share-based payment reserve		51	44
Retained earnings		(1,203)	(1,200)
<b>Total equity attributable to the equity shareholders of the parent company</b>			
		<b>2,083</b>	<b>2,079</b>

These financial statements were approved by the board of directors and authorised for issue on 04 July 2013. They were signed on its behalf by:

Bernard Johnson  
Managing Director

**Company registration number 1227964**

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**Consolidated statement of changes in equity**

	Share capital	Share premium account	Other reserves (note 22)	Share-based payment reserve	Translation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2011	543	1,229	38	30	(32)	2,005	3,813
Share issue	2	2	-	-	-	-	4
Exchange differences on translation of foreign operations	-	-	-	-	(1)	-	(1)
Share based payment charge	-	-	-	14	-	-	14
Net profit for the year	-	-	-	-	-	223	223
At 31 March 2012	545	1,231	38	44	(33)	2,228	4,053
Exchange differences on translation of foreign operations	-	-	-	-	(22)	-	(22)
Share based payment charge	-	-	-	7	-	-	7
Net profit for the year	-	-	-	-	-	302	302
At 31 March 2013	545	1,231	38	51	(55)	2,530	4,340

**Company statement of changes in equity**

	Share capital	Share premium account	Capital redemption reserve	Special reserve	Share-based payment reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2011	543	1,229	18	1,441	30	(1,200)	2,061
Share issue	2	2	-	-	-	-	4
Share based payment charge	-	-	-	-	14	-	14
At 31 March 2012	545	1,231	18	1,441	44	(1,200)	2,079
Share based payment charge	-	-	-	-	7	-	7
Net loss for the year	-	-	-	-	-	(3)	(3)
At 31 March 2013	545	1,231	18	1,441	51	(1,203)	2,083

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**Consolidated cash flow statement**

		Year ended 31 March	Year ended 31 March
		2013	2012
	Note	£000	£000
<b>Net cash inflow from operating activities</b>	<b>28</b>	<b>306</b>	<b>339</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(97)	(308)
Expenditure on intangible assets and goodwill		(334)	(333)
<b>Net cash used in investing activities</b>		<b>(431)</b>	<b>(641)</b>
<b>Cash flow from financing activities</b>			
Repayment of finance lease obligations		(19)	(18)
New finance lease		-	97
Proceeds of share issue		-	4
Increase in bank loans and invoice finance facilities		54	227
<b>Net cash generated from financing activities</b>		<b>35</b>	<b>310</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(90)</b>	<b>8</b>
Cash and cash equivalents at start of period		<b>106</b>	<b>96</b>
Effect of foreign exchange rate changes		2	2
Cash and cash equivalents at end of period		<b>18</b>	<b>106</b>

**Company cash flow statement**

		Year ended 31 March	Year ended 31 March
		2013	2012
	Note	£000	£000
<b>Net cash outflow from operating activities</b>	<b>28</b>	<b>-</b>	<b>(1)</b>
<b>Cash flow from investing activities</b>			
Proceeds of share issue		-	4
Investment in subsidiaries		-	(3)
<b>Net cash generated from investing activities</b>		<b>-</b>	<b>1</b>
<b>Net change in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at start of period		-	-
Cash and cash equivalents at end of period		-	-



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## **Notes to the financial statements**

### **1. General information**

Creightons Plc (the Company) was incorporated on 29 September 1975 in England; it is a public company, with a premium listing 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 as adopted for use by the European Union and 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.

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning 1 April 2012.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 April 2012 are:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2012) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2013)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2013)

As of 31 March 2013, the following standards and interpretations are in issue but not yet adopted by the EU:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2012) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- IFRS 7 (amendments), Offsetting Financial assets and Financial Liabilities (effective 1 January 2013)
- IAS 32 (amendments), Offsetting Financial assets and Financial Liabilities (effective 1 January 2014)
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2012)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2013)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 July 2012)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2013)

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**Notes to the financial statements**

**2 Significant accounting policies (continued)**

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.

**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, expenses and unrealised profits are eliminated on consolidation.

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 have 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.

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.

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**2 Significant accounting policies (continued)**

**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.

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.

**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. Social Security costs are dealt with as payments to defined contribution schemes where the Group's obligations are equivalent to those arising in a defined contribution retirement benefit scheme.

**Taxation**

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally 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.

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**2 Significant accounting policies (continued)**

**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:

	% per annum
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.

**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:

Product development	- 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.

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**2 Significant accounting policies (continued)**

**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, such as an increase in delayed payments, that the asset is impaired.

**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 their cost which approximates to their fair value.

**Derivative financial instruments**

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends upon the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of the recognised assets 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.

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

Corporation tax

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

***Key sources of estimation uncertainty***

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

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

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

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 reports operations internally from two segments one based in the United Kingdom and one based in North America. Appropriate segmental information is as follows:

**Revenue by segment**

	Year ended 31 March 2013			Year ended 31 March 2012		
	External revenue	Inter-segment revenue	Total segment revenue	External revenue	Inter-segment revenue	Total segment revenue
	£000	£000	£000	£000	£000	£000
United Kingdom	15,782	346	16,128	14,850	342	15,192
North America	1,544	-	1,544	1,483	-	1,483
Total	17,326	346	17,672	16,333	342	16,675

**Information about major customers**

Included in revenues arising from the United Kingdom for the year ended 31 March 2013 are revenues from three customers that exceeded 10% of total revenue being; £2,474,000; £2,084,000 and £1,992,000 respectively.

**Profit by segment**

	Year ended 31 March 2013			Year ended 31 March 2012		
	United Kingdom	North America	Group	United Kingdom	North America	Group
	£000	£000	£000	£000	£000	£000
Segment results	1,017	129	1,146	905	115	1,020
Central costs			(813)			(763)
Operating profit			333			257
Finance costs			(31)			(34)
Profit for the period from continuing operations			302			223

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**4 Business and geographic segments (continued)**

Segmental operating profit is stated after charging:

	Year ended 31 March 2013			Year ended 31 March 2012		
	United Kingdom	North America	Group	United Kingdom	North America	Group
	£000	£000	£000	£000	£000	£000
Depreciation	128	-	128	128	-	128
Amortisation	301	-	301	236	-	236
Write-downs of inventory recognised as an expense	174	14	188	87	18	105

The profit reported by each segment represents the profit earned before central management costs, including directors' remuneration, and finance costs.

**Segment assets**

		Year ended	Year ended
		31 March	31 March
		2013	2012
		£000	£000
<b>Non-current assets</b>			
United Kingdom		1,163	1,164
North America		-	-
Total non-current assets		1,163	1,164
<b>Current assets</b>			
United Kingdom		5,874	5,694
North America		481	723
Total current assets		6,355	16,417
<b>Total assets</b>			
United Kingdom		7,037	6,858
North America		481	723
Total assets		7,518	7,581

**Segment liabilities**

		Year ended	Year ended
		31 March	31 March
		2013	2012
		£000	£000
United Kingdom		3,124	3,285
North America		54	243
Total liabilities		3,178	3,528

All of the Group's capital expenditure depreciation and amortisation is within the United Kingdom segment. The accounting policies for the reportable segment are the same as the Group's accounting policies described in Note 2.

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**5. Operating profit**

Operating profit is stated after charging:

	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Net foreign exchange gain	29	38
Cost of inventories recognised as expense	9,699	8,271
Write downs of inventories recognised as an expense	188	105
Research and development costs	323	266
Depreciation of property plant and equipment		
- owned assets	111	111
- leased assets	17	17
Amortisation of intangible assets (included in administrative expenses)	301	236
Impairment loss	3	-
Staff costs	4,311	3,985
Auditor's remuneration	28	28
Operating lease rental expense		
- Land & buildings	350	350
- Other	38	37

The analysis of auditor's remuneration is as follows:

	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
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	6	6
Tax services	1	1



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**6. Staff costs**

The average number of employees (including directors) was:

		<b>Year ended 31 March 2013 Number</b>	<b>Year ended 31 March 2012 Number</b>
Management		9	9
Administration		47	47
Production		130	114
Total		186	170

Their aggregate remuneration comprised:

		<b>Year ended 31 March 2013 £000</b>	<b>Year ended 31 March 2012 £000</b>
Wages and salaries		3,933	3,626
Social security costs		355	335
Pension contributions		23	24
Total		4,311	3,985

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

**7. Finance costs**

		<b>Year ended 31 March 2013 £000</b>	<b>Year ended 31 March 2012 £000</b>
Interest on bank overdrafts and loans		28	31
Interest on obligations under finance leases		3	3
Total		31	34

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**8. Taxation**

	Year ended 31 March	Year ended 31 March
	2013	2012
	£000	£000
Current tax	-	-
Deferred tax	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2013	2013	2012	2012
	£000	%	£000	%
Profit before tax	302		223	
Tax charge at the UK corporation tax rate of 24% (2012 - 26%)	(72)	(24.0)	(58)	(26.0)
Tax effect of expenses that are not deductible in determining taxable profit	(2)	(0.7)	(4)	(1.8)
Tax effect of utilisation of brought forward tax losses	74	24.7	62	27.8
<b>Total expense and effective rate for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 £2,649,000 (2012 - £2, 877,000) 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	Year ended 31 March
	2013	2012
	£000	£000
<b>Earnings</b>		
Net profit attributable to the equity holders of the parent company	302	223

	Year ended 31 March	Year ended 31 March
	2013	2012
	Number	Number
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	54,478,876	54,478,876
Effect of dilutive potential ordinary shares relating to share options	5,126,550	5,376,550
Weighted average number of ordinary shares for the purposes of diluted earnings per share	59,605,426	59,855,426

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**10. Goodwill**

	<b>Year ended 31 March</b>
	<b>£000</b>
<b>Cost</b>	
At 1 April 2011	376
Additions	3
At 31 March 2012	379
Additions	-
At 31 March 2013	379
<b>Accumulated impairment losses</b>	
At 1 April 2011 and 31 March 2012	33
Charge in the year	3
At 31 March 2012	36
<b>Carrying amount</b>	
At 1 April 2011	343
At 31 March 2012	346
At 31 March 2013	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 and Miamoo in July 2011.

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 likely change in these assumptions would give rise to impairment.

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

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**11. Other intangible assets**

**Group**

	<b>Acquired computer software</b>	<b>Product development costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At 1 April 2011	82	301	383
Additions	16	314	330
Disposals	-	(23)	(23)
At 31 March 2012	98	592	690
Additions	8	326	334
Disposals	-	(48)	(48)
At 31 March 2013	106	870	976
<b>Accumulated amortisation</b>			
At 1 April 2011	43	172	215
Amortisation for the year	17	219	236
Disposals	-	(23)	(23)
At 31 March 2012	60	368	428
Amortisation for the year	16	285	301
Disposals	-	(48)	(48)
At 31 March 2013	76	605	681
<b>Carrying value</b>			
At 1 April 2011	39	129	168
At 31 March 2012	38	224	262
At 31 March 2013	30	265	295

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**12. Property, plant and equipment**

**Group**

	<b>Property , plant and equipment £000</b>
<b>Cost</b>	
At 1 April 2011	1,834
Additions	308
At 31 March 2012	2,142
Additions	97
At 31 March 2013	2,239
<b>Accumulated depreciation</b>	
At 1 April 2011	1,458
Depreciation for the year	128
At 31 March 2012	1,586
Depreciation for the year	128
At 31 March 2013	1,714
<b>Carrying value</b>	
At 1 April 2011	376
At 31 March 2012	556
At 31 March 2013	525

Included within plant and equipment are assets held under finance leases with a carrying value of £111,000 (2012- £128,000) on which depreciation of £17,000 (2012 - £17,000) has been charged during the year.

**13. Investment in subsidiaries**

**Company**

	<b>Investments £000</b>
<b>Cost</b>	
At 1 April 2011	72
Additions	3
At 31 March 2012 and 31 March 2013	75
<b>Impairment charge</b>	
At 1 April 2011 and 31 March 2012	-
Impairment for the year	3
At 31 March 2013	3
<b>Carrying value</b>	
At 1 April 2011	72
At 31 March 2012	75
At 31 March 2013	72

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**13. Investment in subsidiaries (continued)**

Details of the Company's subsidiaries at 31 March 2013 and 31 March 2012 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%
Miamoo Limited	England	55%
Amie Skincare Limited	England	55%
We Only Want You For Your Body Limited	England	55%

All shareholdings are in ordinary shares.

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. All other subsidiaries were dormant throughout the years ended 31 March 2013 and 31 March 2012.

**14. Inventories**

	Group		Company	
	2013	2012	2012	2011
	£000	£000	£000	£000
Raw materials	836	881	-	-
Work in progress	218	307	-	-
Finished goods	2,472	2,083	-	-
	3,526	3,271	-	-

Inventories with a carrying value of £3,526,000 (2012 - £3,271,000) have been pledged as security for the Group's bank overdrafts. Management believe that net realisable value approximates to fair value.

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**15. Trade and other receivables**

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade receivables	2,641	2,876	-	-
Amounts receivable from subsidiaries	-	-	2,046	2,039
Prepayments and other receivables	170	164	-	-
	2,811	3,040	2,046	2,039

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

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

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

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade receivables	2,665	2,900	-	-
Less impairment provision	(24)	(24)	-	-
	2,641	2,876	-	-

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

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
At 01 April	24	15	-	-
Charge in current year income statement	-	9	-	-
At 31 March	24	24	-	-

There were £76,000 (2012 - £34,000) trade receivables that were overdue at the balance sheet date that have not been provided against. There are no indications as at 31 March 2013 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 2013 that were overdue for payment was 2.8% (2012 -0.9%)

**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	
	2013 £000	2012 £000	2013 £000	2012 £000
Cash at bank and in hand	-	59	-	-
Sterling equivalent of deposit denominated in US dollars	18	46	-	-
Sterling equivalent of deposit denominated in Euro's	-	1	-	-
	18	106	-	-

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**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.

**Credit risk**

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

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

Impairment provisions on trade receivables have been disclosed in note 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 2013 would increase/decrease by £11,000 (2012 - £13,000). The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in the average working capital facilities used in the year.

**Foreign currency risks**

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

Transaction risk arises on income and expenditure in currencies other than the functional currency of each Group Company. The magnitude of this risk is relatively low as the majority of the Group's income and expenditure are denominated in the functional currency. Approximately 12% (2012 - 13.0%) of the Group's income is denominated in US dollars and 0.5% (2012 - 0.4%) in Euros. Approximately 12% (2012 - 14%) of the Group's expenditure is denominated in dollars and 5% (2012 - 3%) denominated in Euros.

**Foreign currency sensitivity**

A 5% strengthening of sterling would result in a £38,000 (2012 - £32,000) increase profits and equity. A 5% weakening in Sterling would result in a £42,000 (2011 - £35,000) 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 2013. 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 2014. 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 2013 the group had available £1,497,000 (2012 - £1,798,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.



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**18. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade payables	1,681	1,836	-	-
Social security and other taxes	360	478	-	-
Accrued expenses	178	290	-	-
Amounts payable to subsidiary undertakings	-	-	35	35
	<b>2,219</b>	<b>2,604</b>	<b>35</b>	<b>35</b>

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

**19. Obligations under finance leases**

**Group**

	<b>Minimum lease payments</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Amounts payable under finance leases		
Within one year	19	19
Between two to five years	48	67
Total minimum lease payments	<b>67</b>	<b>86</b>

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

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

**20. Bank overdrafts and loans**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank overdraft	233	-	-	-
Borrowings under invoice finance facilities	659	838	-	-
	<b>892</b>	<b>838</b>	<b>-</b>	<b>-</b>

The borrowings are repayable on demand or within one year.

Borrowings totalling £40,000 are denominated in US Dollars all other borrowings are denominated in Sterling. The directors estimate that the fair value of the Group's borrowings approximates to the carrying value.

The weighted interest rates paid were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
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.

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**21. Share capital**

	<b>Ordinary shares of 1p each</b>			
	<b>2013</b>		<b>2012</b>	
	<b>£000</b>	<b>Number</b>	<b>£000</b>	<b>Number</b>
Issued and fully paid	545	54,478,876	545	54,478,876

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

**22. Other reserves**

**Group**

	<b>Capital reserve</b>	<b>Special reserve</b>	<b>Capital redemption reserve</b>	<b>Total Other reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2011, 31 March 2012 and 31 March 2013	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 2013 goodwill written off amounts to £2,575,000 (2012: £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.

**23. Equity settled share-based payments**

The Company has a share option scheme which is open to any employee of the Group. Options granted under the scheme are for nil consideration and are exercisable at a price equal to the quoted market price of the Company's shares on the date of the grant. The vesting period is 3 years. If the options remain unexercised after a period of 7 years from the date of grant, the option expires. Options are forfeited if the employee leaves the Group before options vest.

	<b>Ordinary shares of 1p each</b>			
	<b>2013</b>		<b>2012</b>	
	<b>Number</b>	<b>Weighted average exercise price</b>	<b>Number</b>	<b>Weighted average exercise price</b>
Outstanding at the beginning of the period	5,376,550	1.90p	5,426,550	21.93p
Granted in the period	-	-		
Lapsed in the period	(250,000)	(1.38p)	(50,000)	(4.75p)
Outstanding at the end of the period	5,126,550	1.93p	5,376,550	1.90p

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

Granted	<b>Exercise period</b>	<b>Number</b>	<b>Exercise price</b>
January 2007	2010 - 2014	50,000	4.75p
December 2008	2011 - 2015	820,000	1.38p
February 2011	2014 - 2021	4,256,550	2.00p
Outstanding at the end of the period		5,126,550	

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**23. Equity settled share-based payments (continued)**

The weighted average contractual life for the options based on last exercise date is 6.8 years.

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

		<b>Year ended 31 March 2013</b>	<b>Year ended 31 March 2012</b>
Weighted average share price (pence)		1.93p	1.93p
Weighted average exercise price (pence)		1.93p	1.93p
Expected volatility (%)		22.9% - 122.9%	22.9% - 122.9%
Expected life -years		3	3
Risk free rate (%)		5.8%	5.8%
Expected dividends (pence)		-	-

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year. The 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 £7,000 (2012- £14,000) related to share-based payments.

**24. Retirement benefit scheme**

The Group operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from those of the Group. The charge in the consolidated income statement in the year was £23,000 (2012 - £24,000) and cash contributions were £23,000 (2012: £24,000).

**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.

	<b>Group</b>		<b>Company</b>	
	<b>Year ended 31 March 2013</b>	<b>Year ended 31 March 2012</b>	<b>Year ended 31 March 2013</b>	<b>Year ended 31 March 2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Minimum lease payments under operating leases recognised as an expense in the year	388	387	-	-

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

Total operating leases	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	384	396	-	-
In the second to fifth years inclusive	1,424	1,415	-	-
After five years	695	1,045	-	-
<b>Total</b>	<b>2,503</b>	<b>2,856</b>	<b>-</b>	<b>-</b>

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**25. Operating lease arrangements (continued)**

Lease for land and buildings	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Within one year	350	350	-	-
In the second to fifth years inclusive	1,400	1,400	-	-
After five years	695	1,045	-	-
<b>Total</b>	<b>2,445</b>	<b>2,795</b>	<b>-</b>	<b>-</b>

Other operating leases	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Within one year	34	46	-	-
In the second to fifth years inclusive	24	15	-	-
<b>Total</b>	<b>58</b>	<b>61</b>	<b>-</b>	<b>-</b>

**26. Capital commitments**

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Contracts placed for future capital expenditure not provided for in the financial statements	3	-	-	-

**27. Related party transactions**

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

The amounts owed by and to subsidiary companies are:

	Year ended	Year ended
	31 March	31 March
	2013	2012
	£000	£000
Amounts receivable from subsidiary undertakings	2,046	2,039
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	Year ended
	31 March	31 March
	2013	2012
	£000	£000
Rental charges	350	350
Re-imbursment of property insurance costs	17	15
<b>Total</b>	<b>367</b>	<b>365</b>

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**27. Related party transactions (continued)**

Amounts owed to Oratorio Developments Ltd

	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Amounts payable	105	105

**Carty Johnson Limited**

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

	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Charges for internet support services	14	12

**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 12 to 14.

	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Salaries and other short term benefits	161	156
<b>Total</b>	<b>161</b>	<b>156</b>

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**28. Notes to cash flow statement**

**Group**

	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Profit from operations</b>	<b>333</b>	<b>257</b>
Adjustments for:		
Depreciation on property, plant and equipment	128	128
Goodwill impairment charge	3	-
Amortisation of intangible assets	301	236
Share based payment charge	7	14
	<b>772</b>	<b>635</b>
(Increase) in inventories	(230)	(244)
Decrease/(increase) in trade and other receivables	235	(462)
(Decrease)/increase in trade and other payables	(440)	444
<b>Cash generated from operations</b>	<b>337</b>	<b>373</b>
Interest paid	(31)	(34)
<b>Cash inflow from operating activities</b>	<b>306</b>	<b>339</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.

**Company**

	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Loss from operations</b>	<b>(3)</b>	<b>-</b>
Adjustments for:		
Share based payment charge	7	14
Goodwill impairment charge	3	-
	<b>7</b>	<b>14</b>
(Decrease) in trade and other receivables	(7)	(15)
<b>Cash outflow from operating activity</b>	<b>-</b>	<b>(1)</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.