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DIRECTORS, ADVISORS & BANKERS

Directors:

John Carr Executive Chairman
Jim Lewis Managing Director
Michael Gubbins Sales & Marketing Director
Angela Nicholls, M.R.Pharm.S Technical Director

Registered Office

Water Lane
Storrington
West Sussex RH20 3DP
Registered in England No 1227964

Company Secretaries

W&J Burness WS
16 Hope Street
Charlotte Square
Edinburgh EH2 4DD

Auditors

KPMG Audit Plc
1 Forest Gate
Crawley
West Sussex RH11 9PT

Stockbrokers

Peel, Hunt & Co. Ltd.
62 Threadneedle Street
London EC2R 8HP

Registrars

Northern Registrars Ltd.
Penistone Road,
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Solicitors

W&J Burness WS
16 Hope Street
Charlotte Square
Edinburgh EH2 4DD

Bankers

Barclays Bank PLC
1 Chapel Road
Worthing
West Sussex BN11 1EX

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at Little Thakeham Hotel, Merrywood Lane, Thakeham, Near Storrington, West Sussex RH20 3HE on TUESDAY 30TH SEPTEMBER 1997 at 10:30 am to consider and, if thought fit, pass the following resolutions:

1. To receive and consider the Company's accounts and reports of the directors and auditors for the year ended 31 March 1997.
2. To reappoint MRM Gubbins, a director, retiring under the provisions of Article 101 of the Articles of Association of the Company as a director of the Company.
3. To reappoint Mrs AM Nicholls, a director retiring by rotation under the provisions of Article 103 of the Articles of Association as a director of the Company.
4. To reappoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration.

**As special
business**

5. That the Company be and is hereby generally and unconditionally authorised pursuant to Section 166 of the Companies Act 1985 to make market purchases (as defined in Section 163 (3) of the said Act) of its own Ordinary Shares of 20p each ('Ordinary Shares') in such manner and on such terms as the directors may from time to time determine provided that:
 - (a) the authority hereby conferred shall expire on the earlier of the date which is fifteen months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless renewed or extended prior to or at such meeting, except that the company may before the expiry of such authority make any contract of purchase of Ordinary Shares which will or might be completed wholly or partly after such expiry and to purchase Ordinary Shares in pursuance of such contract as if the authority conferred hereby had not expired;
 - (b) the maximum number of Ordinary shares hereby authorised to be purchased shall not exceed 2,979,491 Ordinary Shares (representing 14.99% of the company's issued share capital as at 31st March 1997);
 - (c) the maximum price which may be paid for each Ordinary Share pursuant to the authority hereby conferred is an amount equal to 105% of the average of the middle market quotations for an ordinary share (derived from The London Stock Exchange Daily Official List) for the five business days prior to the date of purchase and the minimum price is 20p, such price being exclusive of advance corporation tax, if any, payable by the Company.

**By order of the
board**

W&J Burness WS
Company Secretaries



*Water Lane
Storrington
West Sussex
RH20 3DP
19 August 1997*

Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. Instruments appointing proxies must be lodged with the Company's Registrars, Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield, HD8 0LA no later than 48 hours prior to the commencement of the meeting.
2. In order to attend and vote at this meeting (and for the purpose of enabling the Company to determine the number of votes they may cast), members must be entered on the Company's Register of Members at 7:00 am on Monday 29 September 1997 ('the Specified Time'). Should the meeting be adjourned to a time not more than 48 hours after the Specified Time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of the members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled members must be entered on the Company's Register of Members at a time which is not more than 48 hours before the time fixed for the adjourned meeting, or if the Company gives notice of the adjourned meeting at the time specified in that notice.
3. The Register of Directors' Share Interests required under Section 325 of the Companies Act 1985 will be available for inspection at the company's registered office address during normal working hours from the date of this Notice to Tuesday 30 September 1997 inclusive and for at least 15 minutes prior to and during the Annual General Meeting.

CHAIRMAN'S STATEMENT

Dear Shareholder

The year I report to you has been one of dramatic change. In the autumn of 1996 the Company had several extremely serious problems. I am pleased to report the actions that have been taken since I became Chairman last September have gone a long way to stabilising the Company and opening up the opportunities for its future development.

- On 18 December we announced the raising of £3.5 million. This gave your Board the opportunity of reducing substantially the Company's overdraft, and to invest in people, the sales activities, plant and machinery, and the repair of the freehold factory site, all of which had been very badly neglected.
- On 8 July we announced the appointment of Jim Lewis as Managing Director and Michael Gubbins as Sales and Marketing Director. Jim has over 24 years manufacturing experience in the cosmetic and toiletries industry with Cheeseborough Ponds Inc., Estee Lauder Inc. and Schwarzkopf GmbH where he was Worldwide Manufacturing Director based in Germany. Michael Gubbins has over 14 years sales and marketing experience in the cosmetics and toiletries industry with Johnson and Johnson, Consumer Products Division and Helene Curtis UK. His last position being Sales Director and acting Managing Director for the UK and Ireland. This is the first time that your Company has had such qualified and experienced directors whose background is from the industry. I believe that their impact on the Company's future performance will be considerable.
- Today we announced the agreement to sell the Company's 50% shareholding in Fine Fragrances and Cosmetics Limited back to Doug Fawcett, the founder of the company. CREIGHTON'S acquired their shareholding in December 1992. Over the years it has been an uneasy and difficult relationship. We believe that the sale of the shareholding is in the best interests of the shareholders. I have provided more detailed reasons for the sale in the circular posted with these accounts.
- Today we announced two new share option schemes, the 1997 Approved Scheme and the 1997 Supplementary Scheme. These replace the scheme that lapsed in March 1996. Jim Lewis and Michael Gubbins have been offered, subject to shareholder approval of the scheme, options over 200,000 ordinary shares each as part of their contracts. Greater details of the schemes are to be found in the circular posted with these accounts.
- On 7 September the Company will launch two new CREIGHTON'S brands called Exotic Oils and Precious Oils. The existing CREIGHTON'S Brand is being redesigned and additional new branded products are expected to be introduced in 1998. The new look which will be reflected throughout the Company will include the change of name to CREIGHTONS plc, subject to shareholder approval.

Whilst there remains an enormous amount to do, I believe the coming years will see a revitalised and re-focused Company achieving growth both organically and by acquisition. The year I now report, with its appalling results, I believe to be the watershed between the past and the future. The current year has been and will continue to be affected by the recovery work being undertaken in the Company. The Board's expectation is that further benefits will flow through in 1998/99.

As part of our restructuring Angela Nicholls is to retire as an Executive Director of the company on 1 October after 14 years with CREIGHTON'S. Her loyalty and dedication to the Company has been exceptional. We are very pleased that she has agreed to become a Non-Executive Director. Robert Bailey resigned from the Board in December 1996 and continues with the Company as Logistics Manager. His contribution to the Company remains invaluable.

The effort put in by all the employees of the Company to its future has been nothing short of amazing. They made extraordinary efforts in their individual areas of responsibility against, on occasions, overwhelming odds. On behalf of all the shareholders I extend to them a very special thank you.

John Carr
Chairman

19 August 1997

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 31 March 1997.

Principal activities

The principal activity of the group is the creation and manufacture of toiletries, soaps and fragrances. A review of the operations of the Group during the year, events since the end of the year and future developments, are referred to in the Chairman's statement on page 4.

Financial

The loss for the year and the appropriations are shown in the profit and loss account on page 12. The directors do not recommend the payment of a dividend (1996: 3.2p per share).

Research and development

The Group has a policy of continual product development, the costs of which are written off to the profit and loss account as they are incurred.

Directors

The directors who held office during the year and those appointed after the year end are as follows:

John Carr (appointed 24 September 1996)
 Jim Lewis (appointed 7 July 1997)
 Michael Gubbins (appointed 8 July 1997)
 Angela Nicholls, M.R.Pharm.S
 Simon Pickford (appointed 3 March 1997, resigned 2 July 1997)
 Michael Sutton, F.C.A. (non-executive) (resigned 5 June 1997)
 Robert Bailey (resigned 18 December 1996)
 Richard Collard, F.C.A. (resigned 24 September 1996)
 Gerald Clements, A.C.M.A. (resigned 14 October 1996)

The director retiring by rotation is Mrs AM Nicholls who offers herself for re-election. Mrs Nicholls has a 3 year service contract with the Company expiring on 31 March 1999. However, as noted in the Chairman's statement Mrs Nicholls will retire as an executive director on 1 October 1997 and become non-executive.

In accordance with the Company's Articles of Association, Michael Gubbins, having been appointed as director since the last annual general meeting, offers himself for reappointment at the forthcoming annual general meeting.

Michael Sutton served as a non-executive director throughout the year and until his resignation on 5 June 1997. He is a director of Singer and Friedlander Limited and has been responsible for running their Nottingham office since 1990.

Directors' interests

The interests of the directors and their families in the shares of the Company at the beginning, or date of appointment if later, and end of the year were as follows:

	31 March 1997 Ordinary shares			31 March 1996 or date of appointment Ordinary shares		
	Beneficial	Options	Trustee	Beneficial	Options	Trustee
J Carr	608,696	—	—	500,000	—	—
AM Nicholls	17,467	17,500	—	6,987	49,000	—
MP Sutton	—	—	—	—	—	—
S Pickford	—	—	—	—	—	—

The directors' options comprise:

	Date granted	At 1 April 1996	Options lapsed	At 31 March 1997	Exercise price	Exercise dates
AM Nicholls	September 1986	31,500	31,500	—	—	—
	August 1987	5,000	—	5,000	224p	8/90 – 8/97
	May 1992	12,500	—	12,500	235p	6/95 – 6/02

DIRECTORS' REPORT (CONTINUED)

30,000 options were granted to AM Nicholls in March 1996. The terms under which these options were granted were subsequently found to be invalid.

No options were granted or exercised during the year. The market price of the shares at 31 March 1997 was 24.5p and the range during the year was 100p to 23.5p. The options were granted for £1 and there are no conditions attached under which they are exercised.

Details of the Company's lapsed share option scheme are set out in note 24 to the financial statements. Details of directors' contracts are set out in the remuneration committee report on pages 7 and 8.

There have been no changes in the directors' shareholdings between 31 March 1997 and 28 July 1997.

Substantial shareholdings

At 28 July 1997 in addition to the directors' interests, the following substantial interests being 3 per cent or more of the ordinary shares in issue, had been notified to the Company.

	Number	%
Jupiter Asset Management	4,075,000	20.50
F P Asset Management	2,023,209	10.18
Alpha Special Situations Investment Fund	1,990,000	10.01
NatWest Bank plc	1,398,458	7.04
Abbey Life	1,010,807	5.09
NFU Mutual and Avon	975,572	4.91
Ivory & Sime UK Discovery Trust	849,196	4.27
Singer & Friedlander Talent Fund	741,976	3.73

Corporate governance

Your Board is committed to the principles of openness, integrity and accountability set out in the Code of Best Practice contained in the Cadbury Report on the Financial Aspects of Corporate Governance and operates within the spirit of the code. However it is the Board's opinion that certain parts of the code are inappropriate for a company of our size. In particular, the Board is to have only one non-executive director which for the time being is considered adequate in view of the size and requirements of the Company. However, the Board is committed to appointing an additional non-executive director at an appropriate time in the future.

It follows that the Company is unable to comply with the strict requirements of the code in relation to the composition of its remuneration committee which during the year comprised the Chairman and the non-executive director, Michael Sutton. Following Michael Sutton's resignation on 4 June 1997 it comprises Mr. John Carr, the Chairman and Mrs Angela Nicholls. In addition the Board does not consider it necessary to appoint a formal audit committee, as not only are there insufficient non-executive directors, but also the auditors have the opportunity to address the full Board on any issues which they consider should be brought to the attention of the directors.

The auditors, KPMG Audit plc, have confirmed that in their opinion; with respect to the directors' statements on internal financial control and going concern set out below, the directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the directors' statement set out above appropriately reflects the company's compliance with the other aspects of the Cadbury Code of Best Practice specified by the Listing rules for their review. They have carried out their review in accordance with the relevant guidance issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either the group's system of internal financial control or the company's corporate governance procedures, or on the ability of the group to continue in operational existence.

DIRECTORS' REPORT (CONTINUED)

Internal financial controls

Overall responsibility for the Group's system of internal financial control lies with the board of directors, who have reviewed the effectiveness of that system. Whilst recognising that any system of internal financial control provides reasonable and not absolute assurance against any material misstatement or loss, the following key procedures have been established and are designed to provide effective internal financial control:

Control environment – the Company has an organisational structure with lines of responsibility and delegation of authority. In addition, given the size of the Company, the executive directors are involved in the day to day operations of the business.

Risk management – the consideration of major business risks is carried out as part of the preparation of the annual budget, through the day to day management by the executive directors, and through regular discussion at Board meetings. This includes risks identified in respect of Fine Fragrances & Cosmetics Limited, the associate company.

Information systems – the Company's system of financial reporting includes preparation of an annual budget which is approved by the Board, preparation of monthly management accounts which are compared to the budget and discussed at the Board meetings and through day to day monitoring of key areas such as production levels, orders and cash. The financial reporting control over the associate company, Fine Fragrances & Cosmetics Limited, is the review and discussion of annual budgets and monthly management accounts by the Chairman who reports to the Board.

Control procedures – the Board has set policies for areas such as authorisation of payments, capital expenditure and acquisitions. Other control procedures are covered by the day to day involvement of the executive directors.

Monitoring system – a report on the systems of internal financial control has been prepared and approved by the Board.

The Board has reviewed the effectiveness of the Group's internal financial control systems for the period from 1 April 1996 to 15 August 1997.

Going concern

After making enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Remuneration committee report

Policy

The Company's remuneration policy is designed to motivate and retain the executive directors by rewarding them with a competitive salary, benefits and bonus package linked to the performance of the Company. The Company is looking at introducing a new share option scheme following expiry of the previous scheme. There are no long term incentive schemes.

The remuneration of the Chairman was approved by the Board prior to his appointment. The remuneration of the other executive directors is set by the Chairman and the non-executive director. The fees paid for the non-executive director's services were paid to Singer & Friedlander Limited.

The Chairman, John Carr, provides his services to the Company under the terms of a contract between the Company and J.P. Carr and Co Limited dated 24 September 1996. Under this contract, a fee of £100,000 per annum (excluding VAT) is to be paid by the Company in respect of John Carr's services. The fee is reviewable on 1 October 1997 and annually thereafter. The contract is for an initial term of 2 years and is terminable upon 12 months notice given at any time from 1 October 1997. The contract also provided for an additional fee of £50,000 to be paid to J P Carr and Co Limited should Mr Carr achieve financial stability of the Company by 31 March 1997, which has been paid. In addition Mr Carr is to receive a monthly pension contribution of £1,250 to his personal pension scheme and payment of the annual private medical insurance premium for John Carr and his family. Under the contract, the company has acquired his car for £33,000 upon the successful recapitalisation of the Company. J P Carr and Co Limited will also be entitled to participate (on terms approved by the Company's non-executive director) in any bonus or incentive scheme. In view of Mr Carr's work following the recapitalisation J P Carr and Co Limited received an additional payment of £15,000 in March 1997 which was approved by the Board.

DIRECTORS' REPORT (CONTINUED)

Remuneration committee report (continued)

The former chairman, Richard Collard, had a service contract expiring on 31 March 1997. This was terminated on 24 September 1996. Under the termination agreement, the Company agreed to pay Mr Collard compensation of £30,000 plus pension contributions of £8,840 and transfer ownership of two vehicles with an estimated value of £25,000 to him.

The former managing director, Gerry Clements, had a service contract expiring on 31 March 1999. This was terminated on 14 October 1996. Under the termination agreement, the Company agreed to pay Mr Clements compensation of £30,000 and transfer ownership of two vehicles with an estimated value of £22,000 to him.

Robert Bailey who resigned from the board on 18 December 1996 had a 3 year service contract which was due to expire on 31 March 1999.

Angela Nicholls has a 3 year service contract expiring on 31 March 1999. She has agreed to retire as an executive director on 1 October 1997 and will be paid compensation for the unexpired part of her contract. This has been provided as part of the reorganisation provision at 31 March 1997. In view of her work prior to and following the recapitalisation and the additional responsibilities involved, she was paid a bonus of £5,000 in March 1997.

Simon Pickford had a contract which provided for 6 months notice of termination on a rolling basis increasing to 12 months notice after one year. This was reduced to 3 months notice after the year end and terminated in June 1997.

Michael Sutton did not have a contract with the Company.

Both Jim Lewis and Michael Gubbins who were appointed in July 1997 have contracts which provide for 3 months notice of termination on a rolling basis reviewable on 1 April 1999.

The executive directors are entitled to normal benefits in kind and, excluding John Carr, to participate in the Company's defined contribution pension scheme. Contributions to the scheme are based on the basic annual salary.

Emoluments paid to directors in the year comprised:

	Salaries/ Fees	Compensation for loss of office	Bonus	Benefits	Sub-total	Pension Costs	Total Costs	1996
	£000	£000	£000	£000	£000	£000	£000	£000
J Carr	50	—	65	1	116	8	124	—
RD Collard	21	61	—	7	89	13	102	111
GD Clements	36	55	—	2	93	5	98	104
RW Bailey	33	—	—	5	38	2	40	69
AM Nicholls	47	73	5	6	131	5	136	68
S Pickford	5	—	—	1	6	—	6	—
MP Sutton	15	—	—	—	15	—	15	15
Total	207	189	70	22	488	33	521	367

In the opinion of the committee, the Company has complied with Section A of the best practice provisions annexed to the listing rules other than the composition of the Committee which comprised an executive and non executive director and given full consideration to Section B of the best practice provision annexed to the listing rules.

DIRECTORS' REPORT (CONTINUED)

Share capital The movements in share capital during the year are set out in note 18 to the financial statements.

On 14 January 1997 the Company raised £3,239,000 (after all related expenses) by way of a placing and open offer of 15,217,391 new ordinary shares in the share capital of the Company. The proceeds of the issue were applied in the funding of the Group's principal activities.

By a special resolution passed on the same date and confirmed by order of the High Court on 19 March 1997, the Company's share premium account was reduced by £3,297,000 and credited to a special reserve. The special reserve has first been used to eliminate the deficit on the Company's profit and loss account at 31 March 1997 and, in respect of the consolidated accounts, to write off goodwill of £1,428,000 arising on the acquisition of Crestol Limited.

The balance of the special reserve may be used for writing off goodwill on future acquisitions. To the extent that there remains any sum to the credit of the reserve, the directors may distribute that sum to shareholders, should the creditors existing at 19 March 1997 have been satisfied or consent to its distribution.

Charitable donations During the year donations made for charitable purposes in the United Kingdom amounted to £500 (1996: £1,400).

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 terms will vary from supplier to supplier and suppliers will be aware of the terms of payment. For smaller suppliers where no terms are agreed, payment will normally be made in the month following receipt of goods or services. The number of days billings from suppliers outstanding at 31 March 1997 was 84.

Annual general meeting A notice of annual general meeting is set out on page 3. This includes a special resolution allowing the directors limited power for the Company to purchase its own shares.

Auditors In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the Board **W&J Burness WS**
Company Secretary



Water Lane
Storrington
West Sussex
RH20 3DP

19 August 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

REPORT OF THE AUDITORS TO THE MEMBERS of CREIGHTON'S Naturally plc

We have audited the financial statements on pages 12 to 32. We have also examined the amounts disclosed relating to emoluments, share options, long term incentive scheme interests and directors' pension entitlements which form part of the remuneration committee report on pages 7 and 8 and the directors' report on pages 5 and 6.

Respective responsibilities of directors and auditors

As described on page 10 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 March 1997 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

19 August 1997

Crawley

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1997

	Notes	Before exceptional items	Exceptional items (note 6)	1997	1996
		£000	£000	£000	£000
Turnover	2	10,069	—	10,069	10,069
Cost of sales		(9,257)	(1,112)	(10,369)	(8,269)
Gross (loss)/profit		812	(1,112)	(300)	1,800
Distribution costs		(166)	—	(166)	(152)
Administrative expenses		(1,143)	(1,386)	(2,529)	(1,444)
Operating (loss)/profit	3	(497)	(2,498)	(2,995)	204
Income from interest in associated undertaking	13	289	—	289	429
Exceptional write down in investment	6	—	(389)	(389)	—
Net interest payable	7	(172)	—	(172)	(163)
(Loss)/profit on ordinary activities before taxation		(380)	(2,887)	(3,267)	470
Tax on (loss)/profit on ordinary activities	8	140	469	609	(224)
(Loss)/profit on ordinary activities after taxation		(240)	(2,418)	(2,658)	246
Dividends	9	—	—	—	(151)
Retained (loss)/profit for the year	19	(240)	(2,418)	(2,658)	95
Earnings per share	10	(3.1)p	(30.8)p	(33.9)p	5.3p

The turnover and operating loss arose from continuing operations.

NOTE ON HISTORICAL COST PROFITS
for the year ended 31 March 1997

	1997 £000	1996 £000
Reported (loss)/profit on ordinary activities before taxation	(3,267)	470
Difference between the historical cost depreciation charge and the actual depreciation charge on the revalued amount	1	5
	<hr/>	<hr/>
Historical cost (loss)/profit on ordinary activities before taxation	(3,266)	475
	<hr/>	<hr/>
Historical cost (loss)/profit retained for the year	(2,657)	100
	<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES
for the year ended 31 March 1997

	1997 £000	1996 £000
(Loss)/profit for the financial year	(2,658)	95
Unrealised deficit on revaluation of fixed assets	(419)	—
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	(3,077)	95
	<hr/>	<hr/>

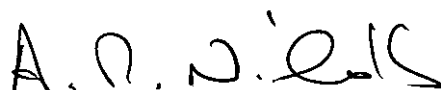
CONSOLIDATED BALANCE SHEET
at 31 March 1997

	Note	1997 £000	1996 £000	1996 £000
Fixed assets				
Intangible assets	11	–		38
Tangible assets	12	3,984		4,766
Investments	13	950		1,178
Current assets				
Stocks	14	1,627	2,501	
Debtors	15	2,382	2,178	
Cash at bank and in hand		541	–	
		4,550	4,679	
Creditors: amounts falling due within one year	16	(2,487)	(3,900)	
Net current assets			2,063	779
Total assets less current liabilities			6,997	6,761
Creditors: amounts falling due after more than one year	16		(639)	(1,075)
Provisions for liabilities and charges	17		(624)	(114)
Net assets			5,734	5,572
Capital and reserves				
Called up share capital	18	3,975		932
Share premium account	19	196		3,297
Revaluation reserve	19	–		419
Capital redemption reserve	19	18		18
Capital reserve	19	7		7
Special reserve	19	13		–
Profit and loss account	19	1,525		899
Equity shareholders' funds			5,734	5,572

These financial statements were approved by the board of directors on 19 August 1997 and were signed on its behalf by:



J Carr
Director



AM Nicholls
Director

BALANCE SHEET
at 31 March 1997

	Note	1997	1996 (As restated Note 13)
		£000	£000
Fixed assets			
Intangible assets	11	–	38
Tangible assets	12	3,984	4,766
Investments	13	1,072	1,072
		<hr/>	<hr/>
Current assets		5,056	5,876
Stocks	14	1,627	2,501
Debtors	15	2,382	2,178
Cash at bank and in hand		541	–
		<hr/>	<hr/>
		4,550	4,679
Creditors: amounts falling due within one year	16	(2,713)	(4,126)
		<hr/>	<hr/>
Net current assets		1,837	553
		<hr/>	<hr/>
Total assets less current liabilities		6,893	6,429
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	16	(639)	(1,075)
Provisions for liabilities and charges	17	(624)	(114)
		<hr/>	<hr/>
Net assets		5,630	5,240
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	18	3,975	932
Share premium account	19	196	3,297
Revaluation reserve	19	–	234
Capital redemption reserve	19	18	18
Special reserve	19	1,441	–
Profit and loss account	19	–	759
		<hr/>	<hr/>
Equity shareholders' funds		5,630	5,240
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 19 August 1997 and were signed on its behalf by:



J Carr
Director



AM Nicholls
Director

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 March 1997

	Note	1997 £'000	1996 £'000
Cash flow from operating activities	26	(172)	(219)
Returns on investments and servicing of finance	27	(172)	77
Taxation	27	(8)	(235)
Capital expenditure and financial investments	27	(292)	(243)
Acquisitions and disposals	27	—	(299)
Equity dividends paid		(47)	(357)
		<u> </u>	<u> </u>
Cash outflow before management of liquid resources and financing		(691)	(1,276)
Financing	27	2,555	(66)
Increase/(decrease) in cash in the period	28	<u>1,864</u>	<u>(1,342)</u>
		<u> </u>	<u> </u>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period	28	1,864	(1,342)
Cash outflow from repayment of debt	28	684	34
		<u>2,548</u>	<u>(1,308)</u>
Loan issued for non-cash consideration		—	(1,300)
New finance leases	28	(111)	—
		<u> </u>	<u> </u>
Movement in net debt in the period		2,437	(2,608)
Net debt at the start of the period	28	(2,831)	(223)
		<u> </u>	<u> </u>
Net debt at the end of the period	28	(394)	(2,831)
		<u> </u>	<u> </u>

NOTES

(forming part of the financial statement)

1. Accounting policies

The following accounting policies have been applied consistently except as noted in dealing with items considered material to the financial statements. The financial statements are prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards.

Basis of preparation

The group accounts consolidate the accounts of CREIGHTON'S Naturally plc and its subsidiary undertakings. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. For associated undertakings the Group includes its share of profits and losses in the consolidated balance sheet. The premium arising on acquisition of associated undertakings (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is amortised through the profit and loss account over the directors' estimate of its useful life, such period not exceeding 20 years.

In the Company's accounts, investments in subsidiary and associated undertakings are stated at cost less amounts written off. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

In accordance with Section 230(4) of the Companies Act 1985, CREIGHTON'S Naturally plc is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of CREIGHTON'S Naturally plc is disclosed in note 19 to these financial statements.

Goodwill

Goodwill relating to a business purchased by the company is written off immediately against reserves.

Fixed assets

Fixed assets are stated at cost to the Group with the exception that freehold property is stated at an open market valuation made on 30 September 1996.

Depreciation, calculated on the cost or valuation of fixed assets, less estimated residual value, is provided on a straight line basis over their expected useful lives at the following rates:

	% per annum
Freehold land	Nil
Freehold buildings	2
Leasehold properties	over the lease period
Fixtures and fittings	10
Computers	25
Motor vehicles	20

Intangible fixed assets

During the year the directors changed the accounting policy in respect of trademarks. Trademarks are no longer capitalised and amortised but have been written off to the profit and loss account. The net book value of trademarks written off during the year ended 31 March 1997 was £38,000.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of manufacturing overheads.

Taxation

The charge for taxation is based upon the profits for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is only made to the extent that it is probable that such deferred taxation will become payable in the foreseeable future.

NOTES (continued)

Research and development

Research and development expenditure is written off as incurred.

Leases

Assets acquired under hire purchase contracts are capitalised and depreciated over their estimated useful lives in accordance with the relevant depreciation policy. Future instalments under such contracts, net of finance charges, are included within creditors. The interest element of the obligation is allocated to accounting periods during the contract term on a straight line basis.

Rental income and charges arising from operating leases are taken to the profit and loss account on a straight line basis over the life of the lease.

Pension

The Company operates defined contribution insured pension schemes covering senior employees. Charges in respect of the insured schemes are made to the profit and loss account in the year in which they fall due.

Currency translation

Assets and liabilities expressed in currencies other than sterling are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising from exchange differences are taken to the profit and loss account.

2. Turnover

The turnover and pre-tax loss are wholly attributable to the Group's principal activity, the creation and manufacture to toiletries, soaps and fragrances and arose within the UK.

The geographical analysis of turnover by destination is as follows:

	1997 £000	1996 £000
United Kingdom	8,304	8,599
Europe	329	436
North America	1,160	724
Asia	231	279
Australasia	45	31
	<u>10,069</u>	<u>10,069</u>

3. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	1997 £000	1996 £00
Auditors' remuneration – audit	24	25
– non audit	251	1
Depreciation	514	514
Operating lease rentals – plant and machinery	3	13
Operating lease rentals – other: (including land and buildings)	140	137
Hire of plant and machinery	154	9
Amortisation of premium on acquisition of associated undertaking	27	27
	<u> </u>	<u> </u>

The auditors received £24,000 in respect of the statutory audit of the company and the group. In addition to the audit and non-audit fees disclosed above, KPMG Audit Plc received £12,000 in relation to services provided in connection with the share placing during the year. These fees have been deducted from the proceeds of the shares issued.

NOTES (continued)

4. Staff costs (including directors' remuneration)	Average number of employees:	1997	1996
		No	No
	Management	16	15
	Administration	20	17
	Production	135	128
		171	160
		1997	1996
		£000	£000
	Wages and salaries	2,360	2,029
	Social security costs	184	188
	Pension contributions	40	70
		2,584	2,287
5. Directors' remuneration		1997	1996
		£000	£000
	Fees	15	15
	For management	284	290
	Pension contributions	33	62
	Compensation for loss of office	189	-
		521	367
No share options were granted to directors during the year. Details of directors' emoluments and outstanding options are set out in the directors' report.			
6. Exceptional costs		Exceptional cost of sales £000	Exceptional administration expenses £000
	Stock adjustments	977	-
	Revaluation of land and buildings	-	245
	Reorganisation costs	135	999
	Directors compensation for loss of office	-	142
		1,112	1,386

The Board has carried out a review of the Company's stock level. In the current circumstances it has been considered appropriate to adopt revised and more prudent bases for stock provisioning and the attribution of overheads to stock which has resulted, in aggregate, in an exceptional charge of £977,000. The remaining exceptional cost of sales comprises £135,000 of reorganisation costs in respect of plant and building repairs. Exceptional operating expenses comprise compensation paid to directors for loss of office of £142,000 and reorganisation costs of £999,000. In addition, a valuation of the freehold property resulted in a deficit against its carrying value of £664,000 of which £245,000 has been charged to the profit and loss account and the balance charged against the revaluation reserve.

NOTES (continued)

6. Exceptional costs (continued)

The exceptional write down of the investment arises on the investment in the associated undertaking, Fine Fragrances and Cosmetics Limited, which was being amortised over 20 years. Following the proposed decision to sell the investment a charge of £389,000 has been made to write down the investment to its approximate net realisable value. This takes into account the anticipated profit and dividends receivable in the period to the proposed disposal date.

The exceptional items have resulted in an estimated tax credit of £469,000.

7. Interest payable

	1997 £000	1996 £000
On bank loans, overdrafts and other loans wholly repayable within five years	182	163
On hire purchase contracts	2	-
	<u>184</u>	<u>163</u>
Interest receivable	(12)	-
	<u>172</u>	<u>163</u>

8. Tax on (loss)/profit on ordinary activities

The taxation (credit)/charge based on the (loss)/profit for the year comprises:

	1997 £000	1996 £000
Corporation tax at 33% (1996: 33%)	(596)	64
Adjustment in respect of previous year	-	1
Deferred tax credit	(114)	-
	<u>(710)</u>	<u>65</u>
Share of tax of associated undertaking	101	159
	<u>(609)</u>	<u>224</u>

The tax charge for the year was affected by disallowable expenditure and excess depreciation.

The Group has trading losses of approximately £800,000 which subject to agreement with the Inland Revenue can be carried forward and relieved against future profits of the same trade.

9. Dividends

	1997 £000	1996 £000
Ordinary shares:		
Interim dividend paid of nil pence per share (1996: 2.2p)	-	104
Final dividend proposed of nil pence per share (1996: 1.0p)	-	47
	<u>-</u>	<u>151</u>

10. Earnings per share

The earnings per share figure has been based on the loss after taxation of £2,658,000 (1996: profit £246,000) and 7,829,422 (1996: 4,646,000) ordinary shares of 20p, the weighted average of the number of shares in issue.

NOTES (continued)

11. Intangible fixed assets

Group and Company

Trademarks £000

Cost

At 31 March 1996

60

Additions

-

At 31 March 1997

60

Depreciation

At 31 March 1996

(22)

Charge for year

(38)

At 31 March 1997

(60)

Net book value

At 31 March 1997

-

At 31 March 1996

38

The accounting policy was changed during the year to write off intangible fixed assets.

12. Tangible fixed assets

Group and Company

Freehold land and buildings

Short leasehold land and buildings

Plant equipment fixtures and motor vehicles

Total

£000

£000

£000

£000

Cost or valuation

At 31 March 1996

3,455

64

5,509

9,028

Additions

-

-

451

451

Disposals

-

-

(209)

(209)

Revaluations

(1,238)

-

-

(1,238)

At 31 March 1997

2,217

64

5,751

8,032

Depreciation

At 31 March 1996

549

50

3,663

4,262

Charge for year

37

3

474

514

Disposals

-

-

(154)

(154)

Revaluations

(574)

-

-

(574)

At 31 March 1997

12

53

3,983

4,048

Net book value

At 31 March 1997

2,205

11

1,768

3,984

At 31 March 1996

2,906

14

1,846

4,766

Freehold land and buildings were valued at open market value with vacant possession on 30 September 1996 by Stiles Harold Williams, a firm of independent consultant surveyors and valuers in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes.

Included within plant, equipment, fixtures and motor vehicles are assets held under hire purchase contracts with a net book value of £139,000 (1996: £nil) on which £5,900 depreciation has been charged during the year (1996: £nil).

NOTES (continued)

12. Tangible fixed assets (continued)

Historical cost

The freehold land and buildings held by a subsidiary on 1 April 1986 were transferred to the holding company at that date.

If the freehold land and buildings had not been revalued, their amounts would have been:

	Group £000	Company £000
Cost		
At 31 March 1996	3,050	3,284
At 31 March 1997	3,050	3,284
Depreciation based on cost		
At 31 March 1996	(562)	(612)
Charge for year	(36)	(40)
At 31 March 1997	(598)	(652)
Net historical book value		
At 31 March 1997	2,452	2,632
At 31 March 1996	2,488	2,672

Freehold land which is included above and amounts to £1,254,000 (1996: £1,254,000) has not been depreciated in the period.

13. Fixed asset investments

The Group's interests in its associated undertaking comprises:

	£000
Cost	
At 31 March 1996	846
Additions	-
At 31 March 1997	846
Share of post acquisition reserves	
At 31 March 1996	419
Profit for the financial year	188
Dividend paid	-
At 31 March 1997	607
Amortisation of premium on acquisition	
At 31 March 1996	(87)
Charge for the year	(27)
Exceptional write off (see note 6)	(389)
At 31 March 1997	(503)
Net book value	
At 31 March 1997	950
At 31 March 1996	1,178

The Company's interests in its associated undertaking is stated at cost of £846,000. This represents 50% of the ordinary share capital of £200,000 of Fine Fragrances and Cosmetics Limited, a company registered in England and Wales, which operates principally in the UK.

NOTES (continued)

13. Fixed asset investments (continued)

The interest in the associated undertaking comprises the Group's share of net assets, amounting to £909,000 and the premium on acquisition not amortised of £41,000. Included within the Group's share of net assets is its share of intangible assets being trademarks amounting to £165,000.

The Company's interest in associated and subsidiary undertakings comprises:

	£000
Cost and net book value at 31 March 1997	1,072
Cost and net book value at 31 March 1996	1,072

The Company owns the entire issued ordinary share capital of Dalton Young Products Ltd, Crestol Ltd, St James Perfumery Co Ltd and Hivabend Ltd. As at 31 March 1997 these were dormant subsidiary undertakings which are registered in England and Wales.

Crestol Ltd, became a subsidiary of the Company on 17 July 1995, when the Company acquired the entire ordinary share capital at a cost (including acquisition costs) of £1,654,000. There were no fair value adjustments. The business operated by Crestol Ltd was fully integrated into the Company's operations, and Crestol Ltd, became dormant from that date.

The investment in Crestol and corresponding creditor of £226,000 were omitted from the company balance sheet in 1996. The 1996 comparatives have been restated to reflect this.

14. Stocks

Group and Company

	1997 £000	1996 £000
Raw materials and containers	717	1,473
Bulk preparations	195	216
Finished goods	715	812
	1,627	2,501

15. Debtors

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Trade debtors	1,479	1,936	1,479	1,936
Amounts owed by associated undertakings	217	152	217	152
Other debtors	-	13	-	13
Corporation tax recoverable	587	-	587	-
Prepayments and accrued income	99	77	99	77
	2,382	2,178	2,382	2,178

NOTES (continued)

16. Creditors Group

	1997		1996	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Bank overdraft	95	—	1,418	—
Other loans	130	520	300	1,000
Bank loans	38	50	38	75
Trade creditors	1,628	—	1,877	—
Other creditors	40	—	92	—
Corporation tax	—	—	17	—
HP contracts	33	69	—	—
Other tax and social security	57	—	95	—
Accruals	466	—	16	—
Proposed dividend	—	—	47	—
	<u>2,487</u>	<u>639</u>	<u>3,900</u>	<u>1,075</u>

Company

	1997		1996	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Bank overdraft	95	—	1,418	—
Other loans	130	520	300	1,000
Bank loans	38	50	38	75
Trade creditors	1,628	—	1,877	—
Amounts owed to group undertakings	226	—	226	—
Other creditors	40	—	92	—
Corporation tax	—	—	17	—
HP contracts	33	69	—	—
Other tax and social security	57	—	95	—
Accruals	466	—	16	—
Proposed dividend	—	—	47	—
	<u>2,713</u>	<u>639</u>	<u>4,126</u>	<u>1,075</u>

Bank and other loans repayable by instalments

	1997 £000	1996 £000
Analysis of borrowings		
Repayment due: within 1 year	168	338
in 1 – 2 years	180	275
in 2 – 5 years	390	800
	<u>738</u>	<u>1,413</u>

NOTES (continued)

16. Creditors (continued)

The bank loans are secured by a mortgage on the freehold property and are repayable in seven bi-annual instalments of £12,500 bearing interest at 1.875% above the higher of the three month LIBOR or 7%.

Other loans represent loan notes given to the vendors of Crestol Ltd which have been guaranteed by Barclays Bank plc and are to be refinanced by a 5 year bank loan bearing interest at 1.75% above the bank's base rate as the loans are redeemed. Having regard to the fact that both the guaranteed loan notes and 5 year bank loan were arranged as part of the same course of dealing with the same bank, the repayment profile of the loan notes is shown as being in line with the term loan repayment profile.

Obligations under HP contracts full due as follows:

	1997 £000	1996 £000
Amounts payable within one year	33	—
Amounts payable in two to five years	69	—
	<u>102</u>	<u>—</u>

17. Provision for liabilities and charges

	Taxation including deferred taxation £000	Reorganisation provision £000	Total £000
Group and Company			
At 31 March 1996	114	—	114
(Credit)/charge for the year in the profit and loss account	(114)	624	510
At 31 March 1997	<u>—</u>	<u>624</u>	<u>624</u>

The amounts provided for deferred taxation and the amounts not provided are set out below.

	1997		1996	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	129	--	126	181
ACT recoverable	--	--	(12)	--
Losses carried forward	(129)	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	--	--	114	181

NOTES (continued)

18. Called up share capital

	Authorised			
	1997		1996	
	£000	No	£000	No
Ordinary shares of 20p each	4,200	21,000,000	1,200	6,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Allotted, called-up and fully paid			
	1997		1996	
	£000	No	£000	No
Ordinary shares of 20p each	3,975	19,876,523	932	4,659,132
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

By a special resolution of the company passed on 14 January 1997:

- the authorised share capital of the Company was increased from £1,200,000 divided into 6,000,000 ordinary shares of 20p each to £4,200,000 divided into 21,000,000 ordinary shares of 20p each by the creation of an additional 15,000,000 ordinary shares of 20p each, ranking pari passu in all respects with the existing ordinary shares of 20p each in the capital of the Company.
- the directors of the Company were authorised for the purposes of Section 80 of the Companies Act 1985 to allot relevant securities of the Company up to an aggregate nominal value of £3,043,478.
- the directors were empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities pursuant to the authority conferred upon them above.

By an ordinary resolution of the Company passed on 14 January 1997 the directors issued 15,217,391 ordinary shares of 20p each with an aggregate nominal value of £3,043,478 for total consideration of £3,500,000.

The total amount of funds raised after all issue expenses was £3,239,000. The market price of the Company's shares immediately prior to the announcement of the issue was 40p.

Details of the share options outstanding are given in note 24.

NOTES (continued)

19. Reserves

	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Capital reserve £000	Special reserve £000	Profit and loss account £000
Group						
At 31 March 1996	3,297	419	18	7	—	899
Deficit on revaluation	—	(419)	—	—	—	—
Issues of shares	196	—	—	—	—	—
Reduction of share premium account	(3,297)	—	—	—	3,297	—
Retained loss for the year	—	—	—	—	—	(2,658)
Transfer from profit and loss account to special reserve	—	—	—	—	(1,856)	1,856
Goodwill written off transferred from profit and loss account	—	—	—	—	(1,428)	1,428
At 31 March 1997	196	—	18	7	13	1,525
Company						
At 31 March 1996	3,297	234	18	—	—	759
Deficit on revaluation	—	(234)	—	—	—	—
Issues of shares	196	—	—	—	—	—
Reduction of share premium account	(3,297)	—	—	—	3,297	—
Retained loss for the year	—	—	—	—	—	(2,615)
Transfer from profit and loss account to special reserve	—	—	—	—	(1,856)	1,856
At 31 March 1997	196	—	18	—	1,441	—

The cumulative amount of goodwill written off amounts to £2,534,000 (1996: £2,118,000).

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 on the group profit and loss account.

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

NOTES (continued)

20. Reconciliation of movements in shareholders funds

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
(Loss)/profit for the financial year	(2,658)	246	(2,615)	(1,285)
Dividends	-	(151)	-	(151)
	<u>(2,658)</u>	<u>95</u>	<u>(2,615)</u>	<u>(1,436)</u>
New share capital and premium subscribed (net of expenses)	3,239	96	3,239	96
Purchase of own shares	-	(28)	-	(28)
Goodwill written off	-	(1,428)	-	-
Deficit on revaluation	(419)	-	(234)	-
	<u>162</u>	<u>(1,265)</u>	<u>390</u>	<u>(1,368)</u>
Net additions to/(reductions in) shareholders' funds	162	(1,265)	390	(1,368)
Opening shareholders' funds	5,572	6,837	5,240	6,608
Closing shareholders' funds	<u>5,734</u>	<u>5,572</u>	<u>5,630</u>	<u>5,240</u>

21. Capital commitments

Group and Company	1997 £000	1996 £000
Capital expenditure approved by the directors but not provided for in the accounts		
Contracted	-	16

22. Operating lease commitments

At 31 March 1997 there were annual commitments under operating leases as follows:

	1997		1996	
Group and Company	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Payments due within one year for leases which expire:				
Within one year	-	3	-	4
From two to five years	88	5	88	1
Over five years	48	-	48	-
	<u>136</u>	<u>8</u>	<u>136</u>	<u>5</u>

23. Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £40,000 (1996: £70,000). There were no contributions prepaid or outstanding at the year end (1996: £nil).

NOTES (continued)

24. Share option scheme

The company's share option scheme lapsed on 31 March 1996. Participation in the scheme was open to full-time employees, including executive directors, except for persons holding more than 10% of the issued ordinary share capital. The options were granted for £1 and there were no performance criteria conditional upon which the options were exercisable. Not more than 5% of the issued ordinary share capital could be placed under option over any 10 year period, subject to an overall maximum of 375,000 shares.

At 31 March 1997 the following options were outstanding:

<i>Date of grant of option</i>	<i>Number of ordinary shares</i>	<i>Period of exercise</i>	<i>Price</i>
August 1987	7,500	August 1990 to August 1997	224p
August 1988	2,500	August 1991 to August 1998	316p
December 1989	4,500	December 1992 to December 1999	150p
July 1990	20,000	July 1993 to July 2000	123p
May 1992	59,500	May 1995 to May 2002	235p

The financial statements for the year ended 31 March 1996 incorrectly stated that 100,000 options were issued in March 1996. It subsequently became apparent that these were invalidly granted under the rules of the Share Option Scheme as the scheme had expired. These options have therefore been cancelled.

25. Transactions with related parties

During the year the company made sales amounting to £670,000 to its associated undertaking, Fine Fragrances and Cosmetics Limited. The balance due to the company at 31 March 1997 was £217,827.

26. Reconciliation of operating (loss)/profit to operating cash flows

	1997 £000	1996 £000
Operating (loss)/profit	(2,995)	204
Depreciation charges	514	514
Revaluation of fixed assets	245	-
Amounts written off intangible fixed assets	38	-
Amortisation of premium on acquisition	27	27
(Loss)/profit on disposal of fixed assets	7	(11)
Decrease/(increase) in stocks	874	(582)
Decrease/(increase) in debtors	383	(467)
Increase in creditors	111	96
Increase in provisions	624	-
Net cash outflow from operating activities	<u>(172)</u>	<u>(219)</u>

NOTES (continued)

27. Gross cash flows	£000	1997 £000	£000	1996 £000
Returns on investments and servicing of finance				
Interest received	12		-	
Interest paid	(182)		(163)	
Interest element of HP payments	(2)		-	
Equity dividends received	-		240	
Net cash (outflow)/inflow for returns and servicing of finance		(172)		77
Taxation				
Corporation tax paid	(8)		(235)	
Net cash outflow for taxation		(8)		(235)
Capital expenditure and financial investment				
Purchase of intangible fixed assets	(340)		(307)	
Sale of fixed assets	48		64	
Net cash outflow for capital expenditure and financial investments		(292)		(243)
Acquisitions and disposals				
Purchase of subsidiary undertaking	-		(254)	
Net overdraft on acquisition of subsidiary	-		(45)	
Net cash outflow for acquisitions and disposals		-		(299)
Financing				
Purchase of ordinary share capital	-		(32)	
Issue of ordinary share capital	3,500		-	
Expenses paid in connection with share issue	(261)		-	
Repayment of amounts borrowed	(675)		(34)	
Capital element of HP rental payments	(9)		-	
Net cash inflow/(outflow) from financing		2,555		(66)

NOTES (continued)

28. Analysis of changes in net debt

	At 31 March 1996 £000	Cash flow £000	Other Movements £000	At 31 March 1997 £000
Cash at bank and in hand	—	541	—	541
Overdrafts	(1,418)	1,323	—	(95)
	<u>(1,418)</u>	<u>1,864</u>	<u>—</u>	<u>446</u>
Debt due after one year	(1,075)	337	168	(570)
Debt due within one year	(338)	338	(168)	(168)
HP contracts	—	9	(111)	(102)
	<u>(1,418)</u>	<u>684</u>	<u>(111)</u>	<u>(840)</u>
	<u>(2,831)</u>	<u>2,548</u>	<u>(111)</u>	<u>(394)</u>

FIVE YEAR FINANCIAL SUMMARY

	1993	1994	1995	1996	1997
	£000	£000	£000	£000	£000
Turnover	8,523	9,049	8,530	10,069	10,069
Profit/(loss) on ordinary activities before exceptional items	1,004	1,241	1,002	560	(380)
Exceptional items	—	(149)	—	(90)	(2,887)
Profit/(loss) on ordinary activities before taxation	1,004	1,092	1,002	470	(3,267)
Taxation on profit/(loss) on ordinary activities	(373)	(438)	(360)	(224)	609
Profit/(loss) on ordinary activities after taxation	631	654	642	246	(2,658)
Ordinary dividends paid/proposed	(335)	(356)	(355)	(151)	—
Earnings per 20p ordinary share					
Before exceptional items	13.9p	17.3p	13.9p	7.0p	(3.1)p
After exceptional items	13.9p	14.2p	13.9p	5.3p	(33.9)p
Net assets	6,865	6,546	6,837	5,572	5,734

CREIGHTON'S NATURALLY PLC

Proxy for use at Annual General Meeting 30 September 1997

Please insert full names and
address

I/We

Please use block capitals

of
being (a) member of the above named company

HEREBY APPOINT

OF

OR FAILING HIM

OF

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

Please tick as required

	For	Against
Resolution 1 To receive the directors' report and accounts for the year ended 31 March 1997		
Resolution 2 To re-appoint Mr. M.R.M. Gubbins as a director		
Resolution 3 To re-appoint Mrs. A.M.Nicholls as a director		
Resolution 4 To re-appoint KPMG Audit plc as auditors and to authorise the directors to fix their remuneration		
Resolution 5 as a special resolution to give limited power to the Company to purchase its own shares		

Please date Dated this day 1997

Please sign Signature

Notes

1. This proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be lodged at address shown overleaf not later than 48 hours before the time of the meeting.
2. In the case of a corporation this proxy should be given under its common seal, or should be signed on its behalf by an attorney or officer so authorised.
3. In the case of joint holdings, the signature of one holder will be sufficient.
4. If you do not indicate hereon which way you desire your proxy to vote, you will be deemed to have authorised the proxy to vote or abstain at his discretion.
5. If you wish to appoint your own proxy (whether a member or not), insert his name and address in the space provided.
6. Completion and return of the form of proxy will not preclude Ordinary shareholders from attending and voting at the meeting should they subsequently decide to do so.

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Northern Registrars Ltd
Registrars for CREIGHTON'S Naturally plc
Penistone Road
Fenay Bridge
Huddersfield
West Yorkshire HD8 0JQ

FIRST FOLD

SECOND FOLD