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CREIGHTONS Plc

Annual Report and Financial Statements
for the year ended 31 March 2007

Contents

Directors, advisers and bankers

Directors	William O McIlroy *Executive Chairman* Bernard JM Johnson *Managing Director* William T Glencross *Non-executive Director* Mary T Carney *Non-executive Director* Nicholas DJ O'Shea *Non-executive Director*
Company Secretary	Nicholas O'Shea, BSc ACMA 16 Lincoln Road Dorking Surrey RH4 1TD
Registered office	1210 Lincoln Road Peterborough PE4 6ND Registered in England & Wales No 1227964
Auditor	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF
Financial Advisers	City Financial Associates Ltd 6 Laurence Pountney Hill London EC4R 0BL
Solicitors	Coole & Haddock 31 Chatsworth Road Worthing West Sussex BN11 1LY
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Bankers	HSBC Bank Plc Cathedral Square Peterborough PE1 1XL

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Potter & Moore Innovations Ltd, 1210 Lincoln Road, Peterborough, PE4 6ND on 20 November 2007 at 12 00 noon in order to consider and, if thought fit, pass the following resolutions

1 To receive and consider the Company's financial statements and reports of the directors and auditor for the year ended 31 March 2007

2 To receive and consider the Directors' Remuneration Report for the year ended 31 March 2007

3 To reappoint Bernard Johnson retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company

4 To reappoint William Glencross retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company

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

6 As an ordinary resolution

"That, in terms of Article 20 of the Company's Articles of Association, the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) of the Company up to an aggregate nominal value of £180,919 85 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution or, if earlier, fifteen months after the passing of this resolution unless previously renewed, varied or revoked by the Company in general meeting and provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired, this authority to replace any existing like authority given prior to the date hereof which is hereby revoked with immediate effect"

7 As a special resolution

"That, without prejudice to any existing powers in terms of Article 21 of the Company's Articles of Association, the directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred upon them by section 80 of the said Act by resolution 6 above as if Section 89(I) of the said Act did not apply to any such allotment provided that this power shall be limited -

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

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £27,137 97,

Notice of Meeting

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

8 As a special resolution

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

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

(b) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 2,713,797 Ordinary Shares (representing 5% of the Company's issued share capital as at 31 March 2007), and

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

By order of the board

Nicholas O'Shea
Company Secretary
1210 Lincoln Road
Peterborough PE4 6ND
25 September 2007

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, Capita Registrars The Registry, 34 Beckenham Road, Beckenham BR3 4TU no later than 48 hours prior to the commencement of the meeting (along with any power of attorney or other authority under which the proxy is executed or a notarially certified copy thereof) The completion of a form of proxy will not prevent a member who wishes to do so from attending and voting in person

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 5 00 pm on 18 November 2007 (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 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 Interest 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 16 November 2007 inclusive and for at least 15 minutes prior to and during the Annual General Meeting.

Chairman's statement

Review of the year

The integration of our manufacturing facilities onto the one - Potter & Moore Innovations - site at Peterborough was completed during the year, and I am pleased to be able to report to you that the consequential cost savings we anticipated have now begun to flow through into the Group income statement

All production has therefore now been very successfully consolidated onto the Peterborough site, with retention of all significant customers who had previously been sourced from Storrington Our customer service levels have remained consistently high, and we are also seeing the effect of improved efficiencies now that the bedding in of the transferred products has been achieved

We have continued with our policy of investment in and development of our ranges of branded products, and believe this investment is paying-off in the increase in sales and profits for our branded businesses, as well as enabling us to be extremely competitive in formulating new and aspirational products for our private label customers

Financial Results

Consolidated Group sales this year were up £349,000 (an increase of 2 8%) at £12,917,000 (2006 – £12,568,000) This improvement over last year's result has been due in particular to increased sales of our branded and contract products Sales and gross profit were again both higher in the second half due to the seasonal contract business at Christmas As in previous years, the Group has continued to strive for low cost producer status, without compromising on product or service level quality We have also continued to make further investment in marketing, sales, and technical R&D support

I reported to you in the interim statement that the board took the decision at the beginning of the year to make a significant investment in resources to cope with the high level of new product development associated with the branded programme and a major re-launch with a key private label customer It was hoped that the benefit of this investment will be seen in the next year with a full year of sales of the new products I am pleased to say that we are already seeing the first benefits of this investment, as sales of the new products came on stream after Christmas, and contributed to this year's increased sales level This investment has however resulted in increased overhead costs

Operating profit before tax and interest for the year was £461,000 (2006 – £926,000) Last year's result includes the net profit from the closure and disposal of the Storrington operation and resultant restructuring costs, a one-off net income of £393,000 Significant overhead and operational cost savings are now flowing through to profits from the closure of the Storrington site

Financing costs are reduced further due to the lower borrowings levels, the proceeds from the site disposal and the improved profitability of the business, providing the group with the significant amount of the working capital required for the Christmas stock build

Profit after tax was £383,000 (2006 – £823,000), with diluted earnings per share from continuing operations of 0 65p (2006 – 1 40p) At this stage, the directors do not believe a dividend would be in the best interests of the Group since these earnings have been applied to consolidate the Group's financial position

Chairman's statement

Current year developments

The Group continues to develop and strengthen its branded portfolio, with new brands that have been launched into the premium and middle markets We have recently established a wholly-owned subsidiary in the US to facilitate expansion of our branded product portfolio in the highly strategic North American market

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

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

William McIlroy
Chairman

27 July 2007

Corporate governance report

Compliance

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

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

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

- No formal training programme is in place for non-executive directors

- The role of the Chairman and Chief Executive is combined

The Board

Details of the all directors are set out below

William McIlroy	Executive Chairman and Chief Executive
Bernard Johnson	Managing Director
Nick O'Shea	Company Secretary and Independent Non-executive Director
Mary Carney	Senior Independent Non-executive Director
William Glencross	Executive Director (until 31 August 2006) Independent Non-executive Director (from 1 September 2006)

The Board's principal task is to set the Group's strategy, which is devised to deliver optimum value for shareholders Other matters reserved for decision by the full Board include approval of the annual report and financial statements, authorisation of all acquisitions and disposals, sanction of all major capital expenditure, the raising of equity or debt finance and investor relations

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

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

The directors have met as a full Board on 5 occasions throughout the year There was also one occasion where a specific resolution was passed by a telephone board meeting The table below shows the attendance of directors at board meetings

Director	Number of meetings attended
William McIlroy	3
Bernard Johnson	4
Nick O'Shea	4
Mary Carney	1
William Glencross	4

Corporate governance report

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

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

Nomination Committee

The Board as a whole has undertaken the duties of the Nomination Committee During the year William Glencross was appointed as an non-executive director This was an internal appointment and the Nomination Committee made the appointment on the basis of his excellent customer relations and knowledge of the industry

Remuneration Committee

The Remuneration Committee consisted of Mr O'Shea and, until 13 December 2006, Ms Carney and after that date Mr Glencross In determining remuneration policy for the executive directors, the Committee has given due consideration to the Combined Code The remuneration packages are designed to attract, retain and motivate executive directors of the required calibre The Committee reviews the appropriateness of all aspects of directors' pay and benefits by taking into account the remuneration packages of similar businesses

Remuneration Report

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

In addition, the executive directors and Mr Glencross participate in a share option scheme The Board believes that, in accordance with the best practice provisions, this approach aligns the interests of shareholders and executive directors

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

Full details of directors' remuneration and share options are noted in the Directors' Remuneration Report on page 16 Details of the directors' shareholdings are shown in the Directors' report on page 13

Accountability and Audit

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

There is an ongoing process for managing the significant risks faced by the Company This process is ongoing and is reviewed by the Board and accords with the internal control guidance issued by the Turnbull Committee

Corporate governance report

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 control in operation and this process will continue

Audit Committee

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

Shareholder Relations

The objective of the Board is to create increased shareholder value by growing the business in a way that delivers sustainable improvements in earnings over the medium to long term

The Board considers the Annual General Meeting as an important opportunity to communicate with private investors in particular Directors make themselves available to shareholders at the Annual General Meeting and on an ad hoc basis, subject to normal disclosure rules

Directors' report

The directors present their annual report on the affairs of the group, together with the financial statements for the year ended 31 March 2007

Principal activities

The principal activity, of the group in the course of the year, continued to be the creation and manufacture of toiletries and fragrances A review of the operations of the group during the year and future developments are referred to in the Chairman's statement on page 5

The principal subsidiary undertaking affecting the results of the group in the year is detailed in note 16 to the financial statements

Business Review

History

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

Operating Environment

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

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

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

Regulation

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

Directors' report

Objectives

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

Strategy

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

Recent Developments

By March 2006, the Group had closed and disposed of its operations in Storrington, transferring *Creightons'* manufacturing to the *Potter & Moore Innovations* factory in Peterborough Part of the Storrington site originally in the Company's ownership was disposed of several years ago, the remaining manufacturing and office facilities were identified as surplus to requirement at the end of the 2004/05 financial year

The Group has now consolidated all ongoing manufacturing at the Peterborough site, and has spent modest amounts of capital on improving the filling lines and mixing facilities to improve efficiency and flexibility to handle a wider range of products The Group has undertaken a major review of product sourcing, and has moved production of most pot pourri products to third party manufacturers in India All the Group's in-house manufactured products will be produced by *Potter & Moore Innovations* in the Peterborough factory

Current Operations

The Group operates through two separate divisions, *Potter & Moore Innovations*, which focuses on high quality private label products for several major High Street supermarket chains, and *Creightons*, which manufactures products for several long-standing clients whose production has been transferred from Storrington, including *The Body Shop* Creightons is also developing a number of new ranges of branded toiletry and hair care products Recent notable successes have been *The Real Shaving Company's* range of men's shaving and toiletry products and the recent introduction of a range of *Ashworth & Claire* toiletries

Potter & Moore Innovations is continuing to concentrate on developing exciting new ranges of toiletries, hair-care, and body-care products and more recently hand-care products with their private label contract manufacture clients To this end, significant investment in account management and R&D personnel has been undertaken during the past two years The product ranges have become available in the last 12 months

Directors' report

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

Management and monitoring of performance

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

The Group does not operate a formal personal performance appraisal process, but individual managers and supervisors undertake continuous performance monitoring and appraisal for their subordinates, and routinely report the results of these to their own managers The group therefore has no formal personnel or other non financial Key Performance Indicators (KPIs) or targets, and each position that becomes vacant is reviewed for necessity and criticality before authorisation is given for it to be filled through either recruitment or promotion The Group has a formal Staff Handbook which covers all major aspects of staff discipline and grievance procedure, Health and Safety regulations, and the Group's non-discrimination policy Only one incident involving employees or contractors on the Group's sites was required to be reported to the Health & Safety Executive during the year

The Group has a formally adopted Environmental Policy which requires management to work closely with the local environmental protection authorities and agencies, and as a minimum to meet all environmental legislation

The Board regularly monitors performance against several key financial indictors, including gross margin, production efficiency, overhead cost control, cash / borrowing and stocking levels Performance is monitored monthly against both budget and prior year As the Group has only recently returned to profitability after a number of years of losses, Return on Net assets and similar asset and investment based performance indicators have not been of relevance

Financial Key Performance Indicators

	2006/07	*2005/06*	*Movement*
Sales	£12,917,000	£12,568,000	Increase of £349,000 (2 8%)
Gross Margin as a % of Revenue	39 7%	38 8%	Increase of 0 9%
Operating profit excluding one off costs	£461,000	£533,000	Decrease of £72,000
Operating Profit – as a % of Revenue	3 6%	4 2%	Decrease of 0 6%
Net Borrowing	£1,951,000	£340,000	Increase of £1,611,000

Risks

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

Directors' report

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 and satisfaction, or failure to meet environmental protection standards or any of the areas of regulation mentioned above

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

Capital structure, cash flow and liquidity

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

Financial

The profit for the year is shown in the attached consolidated income statement The directors do not recommend the payment of a dividend (2006 – nil)

Research and development

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

Directors

The directors who held office during the year were as follows

William O McIlroy	(Executive Chairman)
Mary T Carney	(Non-executive Director)
Nicholas DJ O'Shea	(Non-executive Director)
Bernard JM Johnson	(Managing Director)
William T Glencross	(Executive Director until 31 August 2006, then Non-executive Director)

The directors retiring by rotation are William Glencross and Bernard Johnson

Directors' interests

The directors who held office at 31 March 2007 had the following beneficial interests in the shares of the company

	31 March 2007 1p ordinary shares		*1 April 2006 1p ordinary shares*	
	Shares	*Options*	*Shares*	*Options*
Mr McIlroy	14,416,000	1,628,275	13,916,000	1,628,275
Mr Johnson	3,344,569	1,628,275	3,344,569	1,628,275
Mr O'Shea	31,000	–	31,000	–
Mr Glencross	–	300,000	–	300,000

Directors' report

Mr McIlroy's holding noted above includes 13,950,000 (2006 – 13,450,000) shares held in the name of Oratorio Developments Ltd of which 3,700,000 (2006 – 3,700,000) shares are registered in the name of Hargrave Hale Nominees Ltd Oratorio Developments Ltd is a private company of which Mr McIlroy is a director and controlling shareholder

The following changes took place between the 31 March 2007 and 21 September 2007

- Oratorio Developments Ltd, a private company of which Mr McIlroy is a director and controlling shareholder, acquired a further 500,000 1p ordinary shares on 2 May 2007

The share options detailed above were granted on 9 January 2004 to Messrs McIlroy, Johnson and Glencross, the executive directors at the time, in accordance with the rules of the existing share option scheme The company does not make grants of share options to non-executive directors See note 28 for further details

Directors' insurance

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

Substantial interests

At 21 September 2007, the following substantial interests, being 3% or more of the ordinary shares in issue, had been notified to the Company

Mr WO McIlroy (including Oratorio Developments Ltd)	14,916,000	27 48%
Mr D Abell	3,550,000	6 54%
Mr BJM Johnson	3,344,569	6 16%
Mr B Dale	2,451,740	4 52%
Jupiter Asset Management	1,725,000	3 18%

Mr McIlroy's holding includes 14,450,000 (26 62%) shares held by Oratorio Developments Ltd, a company of which he is a director and controlling shareholder, of which 3,700,000 (6 82%) shares are registered in the name of Hargrave Hale Nominees Ltd

Jupiter Asset Management's holding is registered in the name of Nortrust Nominees Ltd

Mr Johnson's holding includes 3,184,569 (5 87%) shares of which he is the beneficial owner and which are registered in the name of Hargrave Hale Nominees Ltd

Mr Abell's holding represents his beneficial ownership of 3,050,000 (5 62%) shares registered in the names of Ferlim Nominees Ltd and Rensburg Sheppards Investment Management Ltd, and of 500,000 (0 92%) shares registered in the name of Rock (Nominees) Ltd

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future For this reason the directors continue to adopt the going concern basis in preparing the financial statements

Directors' report

Charitable and political donations

During the year the group made charitable donations of £485 (2006 – £2,900), principally to local charities serving the communities in which the group operates

No donations were made to political parties (2006 – nil)

Creditor payment policy

The Group does not follow any code or standard on payment practice as it is the Group's policy to settle creditors promptly on mutually agreed terms The number of days' billings from suppliers outstanding at 31 March 2007 was 58 days (2006 – 41 days)

Auditors

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

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

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

By order of the Board

Bernard Johnson
Managing Director
25 September 2007

1210 Lincoln Road
Peterborough PE4 6ND

Directors' remuneration report

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

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

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

Unaudited information

Remuneration Committee

The board established a Remuneration Committee a number of years ago to determine the remuneration of directors of the company The members of the committee were Mr O'Shea for the whole period, Ms Carney until 13 December 2006 and Mr Glencross from that date, all of whom were independent non-executive directors at the time of their membership of the committee In determining the directors' remuneration the committee consulted the Executive Chairman, Mr McIlroy There have been two meetings of the committee during the period Mr O'Shea has attended both of these meetings, Ms Carney and Mr Glencross attended one each during their period of office

Policy on directors' remuneration

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

Salary and Benefits

Executive directors' salary and benefits packages are determined by the committee on appointment or when responsibilities or duties change substantially, and are reviewed annually The last review was undertaken during the first quarter of this year, but no changes were proposed to the executive directors' remuneration packages The committee considers that improved performance should be recognised by achievement of performance bonuses

Directors' performance bonus

Both executive directors' contracts provide for performance bonuses should the group achieve profitability, and Mr McIlroy's also provides for a bonus should a successful sale of the group's toiletries business be achieved The profit criterion was met in 2007, and as a consequence, provision for payment of the profit related performance bonus has been made in the accounts, and will be paid as required by the contracts within one month of the approval and publication of these accounts

The contract for Mr McIlroy's services as a director provides for a performance bonus payment to Mr McIlroy's employer (Lesmac Securities Ltd) should the Group achieve profitability, on a scale of 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

Directors' remuneration report

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

Executive share option scheme

The policy of the company is to grant options to executive directors and other senior managers as an incentive to enhance shareholder value These options become exercisable at 2 75p (the mid-market price for the company's shares on the day of grant) after 9 January 2007 once the company's mid-market share price has been at least 6 0p for three consecutive days

Pension arrangements

Mr W Glencross was a member of the group's money purchase personal pension scheme and made a contribution of 10 percent of his basic salary to that scheme up to the date he ceased to be an executive director His dependants are eligible for dependants' pension and the payments of a lump sum in the event of death in service

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

Service contracts

It is the company's policy that service contracts for the executive directors are for an indefinite period, terminable by either party with a maximum period of notice of 12 months Any payments in lieu of notice should not exceed the director's salary or fees for the unexpired term of the notice period Within that policy, information relating to individual directors' is scheduled below

Name of Director	*Date of service contract*	*Date Contract last amended*	*Notice Period*
WO McIlroy (executive contract)	6 Feb 2003		12 months
WO McIlroy (director's contract with employer)	16 Jan 2002		12 months
BJM Johnson (director's contract)	16 Jan 2002		12 months
BJM Johnson (manager's contract with employer)	16 Jan 2002	20 Mar 2003	12 months
MT Carney (non-executive)	29 Nov 1999	1 Jan 2002	None
NDJ O'Shea (non-executive)	5 July 2001		None
WT Glencross (non-executive director)	1 July 2005	1 Sep 2006	None

Directors' remuneration report

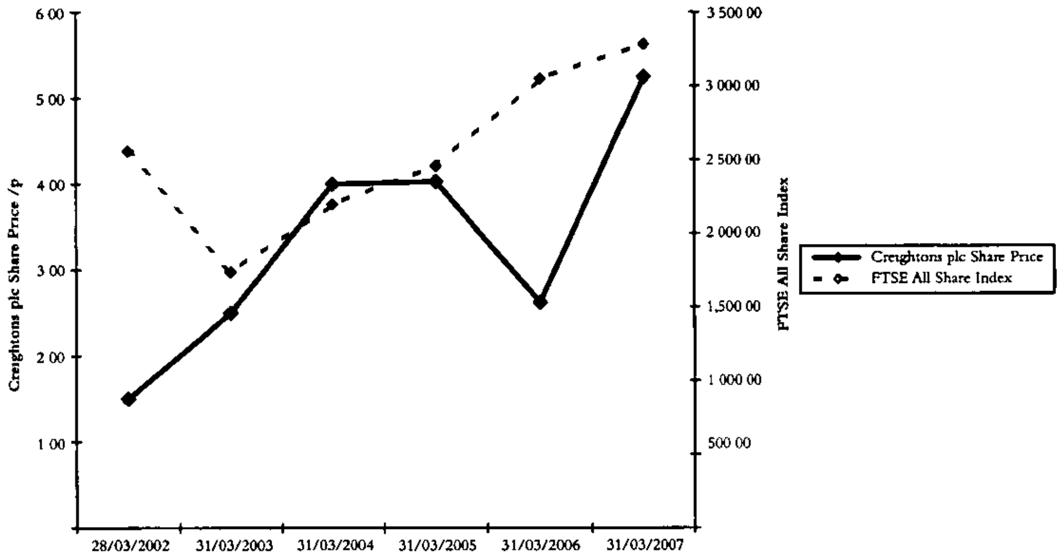
Non-executive directors

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

Performance graph

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

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



The market price at 31 March 2007 was 5 25p

Directors' remuneration report

Audited Information

Directors' emoluments

	Salaries/Fees £000	*Defined contribution pension contributions £000*	*Benefits £000*	*Bonus £000*	*Total 2007 £000*	*Total 2006 £000*
WO McIlroy	20	–	–	24	44	23
MT Carney	8	–	–	–	8	8
BJM Johnson	80	–	–	24	104	103
NDJ O'Shea	12	–	–	–	12	8
W T Glencross	39	3	1	–	43	58
Total	159	3	1	48	211	200

Share options

	1 April 2006	*1 April 2007*	*Exercise price*	*Date from which exercisable*	*Expiry Date*
WO McIlroy	1,628,275	1,628,275	2 75p	9 Jan 2007	8 Jan 2011
BJM Johnson	1,628,275	1,628,275	2 75p	9 Jan 2007	8 Jan 2011
WT Glencross	300,000	300,000	2 75p	9 Jan 2007	8 Jan 2011

Pension entitlements

One director was a member of a defined contribution pension scheme Contributions made were as follows

WT Glencross – £3,000 (2006 – £4,000)

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

Approval

This report was approved by the Board of Directors on 25 September 2007, and signed on its behalf by

Nicholas O'Shea
Company Secretary
Remuneration Committee

Statement of directors' responsibilities

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

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

- properly select then apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosure when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

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

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website

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

Independent Auditor's Report to the shareholders of Creightons Plc

We have audited the Group and Parent Company Financial Statements (the "financial statements") of Creightons Plc for the year ended 31 March 2007 which comprise the Consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Shareholders' Equity, and the related notes These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the parent company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

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

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

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

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

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

We review whether the Corporate Governance Report reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures

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

Independent Auditor's Report to the shareholders of Creightons Plc

Basis of audit opinion

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's and the parent company's profit for the year then ended, and

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

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

Chantrey Vellacott DFK LLP

CHANTREY VELLACOTT DFK LLP

Chartered Accountants

Registered Auditor

LONDON

25 September 2007

Consolidated income statement

for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Revenue	4	**12,917**	12,568
Cost of sales		**(7,789)**	(7,686)
Gross Profit		**5,128**	4,882
Distribution costs		**(378)**	(299)
Administrative expenses	5	**(4,289)**	(4,099)
Profit on disposal of property	6	**–**	442
Operating profit	7	**461**	926
Investment revenues	9	**1**	3
Finance costs	10	**(79)**	(121)
Profit before tax		**383**	808
Tax	11	**–**	15
Profit for the period from continuing operations attributable to the equity holders of the parent company		**383**	823

Earnings per share from continuing operations

Basic	12	**0 71p**	1 52p
Diluted	12	**0 65p**	1 40p

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

The loss of the parent company was £5,000 (2006 – profit £796,000)

Consolidated statement of recognised income and expense

	Note	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Net income recognised directly in equity			
Profit for the period	27	383	823
Total recognised income and expense for the period wholly attributable to the equity holders of the parent		383	823

Consolidated balance sheet

at 31 March 2007

	Note	31 March 2007 £'000	31 March 2006 As restated £'000
Non-current assets			
Goodwill	13	**331**	331
Other intangible assets	14	**136**	84
Property, plant and equipment	15	**517**	336
		984	751
Current assets			
Inventories	17	**3,813**	1,805
Trade and other receivables	18	**2,056**	1,328
Cash and cash equivalents	19	**14**	77
		5,883	3,210
Total assets		**6,867**	3,961
Current liabilities			
Trade and other payables	21	**2,359**	1,491
Obligations under finance leases	22	**11**	3
Bank overdrafts and loans	23	**1,951**	340
Derivative financial instruments	20	**4**	–
		4,325	1,834
Net current assets		**1,558**	1,376
Non-current liabilities			
Obligations under finance leases	22	**40**	13
		40	13
Total liabilities		**4,365**	1,847
Net assets		**2,502**	2,114
Equity			
Share capital	25	**543**	543
Share premium account	27	**1,229**	1,229
Capital redemption reserve	27	**18**	18
Capital reserve	27	**7**	7
Special reserve	27	**13**	13
Share-based payment reserve	27	**52**	47
Retained earnings	27	**640**	257
Total equity available to the holders of the parent company		**2,502**	2,114

These financial statements were approved by the board of directors and authorised for issue on 25 September 2007. They were signed on its behalf by

Bernard Johnson
Managing Director

Company balance sheet
at 31 March 2007

	Note	31 March 2007 £'000	31 March 2006 £'000
Non-current assets			
Investment in subsidiaries	16	**60**	60
		60	60
Current assets			
Trade and other receivables	18	**2,014**	2,103
		2,014	2,103
Total assets		**2,074**	2,163
Current liabilities			
Trade and other payables	21	**35**	124
		35	124
Net current assets		**1,979**	1,979
Total liabilities		**35**	124
Net assets		**2,039**	2,039
Equity			
Share capital	25	**543**	543
Share premium account	27	**1,229**	1,229
Capital redemption reserve	27	**18**	18
Special reserve	27	**1,441**	1,441
Share-based payment reserve	27	**52**	47
Retained earnings	27	**(1,244)**	(1,239)
Total equity available to the holders of the parent company		**2,039**	2,039

These financial statements were approved by the board of directors and authorised for issue on 25 September 2007 They were signed on its behalf by

Bernard Johnson
Managing Director

Consolidated cash flow statement

for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Net cash (outflow)/inflow from operating activities	33	**(1,310)**	480
Cash flow from investing activities			
Proceeds on disposal of property, plant and equipment		**8**	1,696
Purchase of property, plant and equipment		**(251)**	(152)
Expenditure on intangible assets		**(107)**	(86)
Net cash (used in)/from investing activities		**(350)**	1,458
Cash flow from financing activities			
Repayment of borrowings		**–**	(1,534)
Repayment of finance lease obligations		**(14)**	(47)
Increase /(decrease) in bank overdrafts		**1,611**	(281)
Net cash from/(used in) financing activities		**1,597**	(1,862)
Net (decrease)/increase in cash and cash equivalents		**(63)**	76
Cash and cash equivalents at start of period		**77**	1
Cash and cash equivalents at end of period		**14**	77

Company cash flow statement
for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'0000
Net cash outflow from operating activities	33	–	(749)
Cash flow from investing activities			
Interest received		–	113
Proceeds on disposal of property, plant and equipment		–	1,767
Purchase of property, plant and equipment		–	(20)
Net cash from investing activities		–	1,860
Cash flow from financing activities			
Repayment of borrowings		–	(881)
Decrease in bank overdrafts		–	(230)
Net cash used in financing activities		–	(1,111)
Net increase in cash and cash equivalents		–	–
Cash and cash equivalents at start of period		–	–
Cash and cash equivalents at end of period		–	–

Notes to the financial statements

for the year ended 31 March 2007

1 General information

Creightons Plc (the Company) was incorporated on 29 September 1975, it is a public company, quoted on the London Stock Exchange

2 Accounting policies

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), made up to the 31 March each year Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

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

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

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

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

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities of a business acquired at the date of acquisition Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses Goodwill is tested at least annually for impairment and is carried at cost less accumulated impairment losses Any impairment is recognised immediately in the 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 An impairment loss recognised on goodwill is not reversed in subsequent periods

Notes to the financial statements

for the year ended 31 March 2007

2 Accounting policies *(continued)*

On disposal of an acquired business the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Revenue recognition

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

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

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

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Assets held under finance leases are recognised as assets of the Group at the fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are charged directly against income, unless they are directly attributable against qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs

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

Benefits received and receivable as an incentive to enter into operating leases are spread on a straight-line basis over the term of the lease

Foreign currencies

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates The group did not have any foreign operations during the years reported

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 for the period

Notes to the financial statements

for the year ended 31 March 2007

2 Accounting policies *(continued)*

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

Borrowing costs

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

Operating profit

Operating profit is stated after charging restructuring costs and other exceptional items but before investment income and finance costs

Retirement benefit costs

The group companies contribute to a defined contribution retirement benefit scheme

Payments to the defined contribution retirement benefit scheme are charged as an expense as they fall due Payments to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme

Taxation

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

The tax currently payable is based on the taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items of income or expenditure that are never taxable or allowable

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

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

Property, plant and equipment

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

Notes to the financial statements

for the year ended 31 March 2007

2 Accounting policies *(continued)*

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

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

Assets owned under finance leases are depreciated over their expected useful lives on the same basis as owned assets

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

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

Internally generated intangible assets are amortised on a straight-line basis over their useful lives Where no internally generated intangible assets can be recognised, development expenditure is recognised as an expense in the period in which it is incurred

Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and accumulated annual impairment Amortisation begins when an asset is available for use and is calculated on a straight-line basis over their estimated useful lives as follows

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

Trademarks

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

Impairment of assets

At each reporting date, the group assesses whether there is any indication that an asset may be impaired Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount Recoverable amount is the higher of the fair value less cost to sell and value in use and is determined for an

Notes to the financial statements

for the year ended 31 March 2007

2 Accounting policies *(continued)*

individual asset If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation

Inventories

Inventories are stated at the lower of cost or net realisable value The standard cost comprises direct materials and where applicable direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition Net realisable value represents the estimated selling costs less all estimated costs to completion and costs to be incurred in marketing, selling and distribution

Trade receivables

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

Cash and cash equivalents

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

Bank borrowings

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

Trade payables

Trade payables are initially measured at fair value

Derivative Financial Instruments

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates The group uses foreign exchange forward contracts to hedge against this exposure The group does not use derivative financial instruments for speculative purposes

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

Share based payments

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

Notes to the financial statements
for the year ended 31 March 2007

2 Accounting policies *(continued)*

The group issues equity-settled share based payment to certain employees Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

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

3 Critical accounting judgements and sources of estimation uncertainty

Critical judgements in applying the group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management have made the following judgements that have most significant effect on the amounts recognised in the financial statements

Income taxes

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

Key sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill is allocated The value in use requires the entity to estimate the future cash flows expected to arise from the cash generating-unit and a suitable discount rate to calculate the present value The carrying value of goodwill at the balance sheet date was £331,000 No impairment provision was considered necessary against this carrying value

Impairment of product development costs

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

4 Business and geographic segments

For management purposes the group is organised into one operating division which operates in one business segment and geographic region

Notes to the financial statements

for the year ended 31 March 2007

5 Restructuring costs

The restructuring costs, included in Administration costs, relate to the anticipated costs of relocating the operations carried out at Storrington following a decision to dispose of the freehold property

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Redundancy costs	–	49

6 Profit on disposal of property

The profit relates to the profit on the disposal of two freehold sites in Storrington during the year ended 31 March 2006

7 Operating profit

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Net foreign exchange losses	**4**	–
Cost of inventories recognised as expense	**7,789**	7,686
Research and development costs	**232**	176
Depreciation of property plant and equipment	**117**	167
Amortisation of intangible assets	**55**	5
Staff costs	**3,670**	3,270
Auditor's remuneration for audit services	**25**	31
Operating lease rental expense	**206**	273

The analysis of auditor's remuneration is as follows

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Audit services Fees payable to the company's auditor for the audit of the parent company and the group financial statements	**20**	26
Fees payable to the company's auditor for other services The audit of the company's subsidiaries, pursuant to legislation	**5**	5
Tax services	**1**	1

Notes to the financial statements

for the year ended 31 March 2007

8 Staff costs

	Year ended 31 March 2007 Number	Year ended 31 March 2006 Number
Management	**6**	8
Administration	**43**	43
Production	**126**	105
Total	**175**	156

Their aggregate remuneration comprised

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Wages and salaries	**3,361**	2,979
Social security costs	**275**	251
Pension contributions	**34**	40
Total	**3,670**	3,270

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

9 Investment revenue

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Interest on bank deposits	**1**	3

10 Finance costs

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Interest on bank overdrafts and loans	**76**	121
Interest on obligations under finance leases	**3**	–
Total	**79**	121

11 Tax

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Current tax	**–**	–
Deferred tax	**–**	15
Total	**–**	15

Notes to the financial statements

for the year ended 31 March 2007

11 Tax *(continued)*

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

	Year ended 31 March 2007 £'000	Year ended 31 March 2007 %	Year ended 31 March 2006 £'000	Year ended 31 March 2006 %
Profit before tax	**383**	**–**	808	–
Tax charge at the UK corporation tax rate of 30% (2006 – 30%)	**(115)**	**(30)**	(242)	(30)
Adjustment for gain on sale of property not subject to UK Corporation tax	**–**	**–**	133	16 4
Tax effect of expenses that are not deductible in determining taxable profit	**(2)**	**(0 5)**	(4)	(0 5)
Tax effect of utilisation of brought forward tax losses	**117**	**30.5**	128	16 0
Total credit and effective rate for the year	**–**	**–**	15	1 9

The Group has trading losses which can be carried forward and relieved against future profits of the same trade

12 Earnings per share

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

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £ 000
Earnings		
Net profit attributable to the equity holders of the parent company	**383**	823

	Year ended 31 March 2007 Number	Year ended 31 March 2006 Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**54,275,876**	54,275,876
Effect of dilutive potential ordinary shares relating to Share options	**4,256,550**	4,582,203
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**58,532,426**	58,858,079

Notes to the financial statements

for the year ended 31 March 2007

13 Goodwill

	Year ended 31 March 2007 £'000
Cost	
At 1 April 2005, 31 March 2006 and at 31 March 2007	364
Accumulated impairment losses	
At 1 April 2005	–
Prior year adjustment	33
At 1 April 2005 (restated), 31 March 2006 (restated) and at 31 March 2007	33
Carrying Amount	
At 31 March 2005 (restated), 31 March 2006 (restated)	331
At 31 March 2007	331

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

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

The recoverable amount of the CGU is determined from a value in use calculation The key assumptions used for the value in use calculation are the discount rate, sales and margin projections, expected changes in direct and indirect costs during the five year forecast, a growth rate of 3 6% and a discount rate of 7 4% No reasonable possible change in these assumptions would give rise to impairment

The growth rates are based on the average growth rate experienced by the CGU which is in line with historical growth rates for the business sector in which it operates The pre tax discount rate is based upon the group's weighted average cost of capital adjusted for specific risks relating to the sector and country

No goodwill impairment charges arose during the current or prior year

The prior year adjustment relates to an error in calculating the opening value of carrying amount of Goodwill at 1 April 2005 at the time of the introduction of IFRS

Notes to the financial statements

for the year ended 31 March 2007

14 Other intangible assets

Group

	Licences £'000	Acquired computer software £'000	Product development costs £'000	Total £'000
Cost				
At 1 April 2005	15	–	–	15
Additions	–	17	69	86
Disposals	(15)	–	–	(15)
At 31 March 2006	–	17	69	86
Additions	–	–	107	107
At 31 March 2007	–	17	176	193
Accumulated amortisation				
At 1 April 2005	12	–	–	12
Amortisation for the year	3	2	–	5
Disposals	(15)	–	–	(15)
At 31 March 2006	–	2	–	2
Amortisation for the year	–	7	48	55
At 31 March 2007	–	9	48	57
Carrying value				
At 1 April 2005	3	–	–	3
At 31 March 2006	–	15	69	84
At 31 March 2007	–	8	128	136

Notes to the financial statements

for the year ended 31 March 2007

14 Other intangible assets *(continued)*

Company

	Licences £'000
Cost	
At 1 April 2005	15
Disposals	(15)
At 31 March 2006 and 31 March 2007	–
Accumulated amortisation	
At 1 April 2005	12
Amortisation for the year	3
Disposals	(15)
At 31 March 2006 and 31 March 2007	–
Carrying value	
At 1 April 2005	3
At 31 March 2006 and 31 March 2007	–

Notes to the financial statements

for the year ended 31 March 2007

15 Property, plant and equipment

Group

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2005	1,331	4,594	5,925
Additions	–	168	168
Disposals	(1,331)	(3,530)	(4,861)
At 31 March 2006	–	1,232	1,232
Additions	–	300	300
Disposals	–	(3)	(3)
At 31 March 2007	–	1,529	1,529
Accumulated depreciation			
At 1 April 2005	184	4,152	4,336
Depreciation for the year	–	167	167
Disposals	(184)	(3,423)	(3,607)
At 31 March 2006	–	896	896
Depreciation for the year	–	117	117
Disposals	–	(1)	(1)
At 31 March 2007	–	1,012	1,012
Carrying value			
At 1 April 2005	1,147	442	1,589
At 31 March 2006	–	336	336
At 31 March 2007	–	517	517

Included within plant and equipment are assets held under finance leases with a carrying value of £57,278 (2006 – £18,000) on which depreciation of £7,012 (2006 – £450) has been charged during the year

At 31 March 2007 the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £8,000 (2006 – £14,000)

Notes to the financial statements

for the year ended 31 March 2007

15 Property, plant and equipment *(continued)*

Company

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2006	1,331	4,301	5,632
Disposals	(1,331)	(4,301)	(5,632)
At 31 March 2006 and 31 March 2007	–	–	–
Accumulated depreciation			
At 1 April 2005	184	4,058	4,242
Depreciation for the year	–	85	85
Disposals	(184)	(4,143)	(4,327)
At 31 March 2006 and 31 March 2007	–	–	–
Carrying value			
At 1 April 2005	1,147	243	1,390
At 31 March 2006 and 31 March 2007	–	–	–

At 31 March 2006 the trade and activities undertaken by the company were transferred to its wholly owned subsidiary Potter & Moore Innovations Ltd Assets with a cost of £780,000 and a carrying value of £58,000 were transferred as part of this transaction

16 Investments in subsidiaries

The subsidiaries all of which are wholly owned by Creightons Plc are shown below

- Potter & Moore Innovations Limited
- The Real Shaving Company Limited
- St James Perfumery Co Limited
- Ashworth & Claire Limited
- The Haircare Studio Limited
- The Sensual Secrets Company Limited
- Creightons Naturally Limited

These undertakings are registered in England and Wales The activity of Potter & Moore Innovations Ltd is the creation and manufacture of toiletries and fragrances All other subsidiaries were dormant at 31 March 2007

Notes to the financial statements

for the year ended 31 March 2007

17 Inventories

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Raw materials	**1,393**	852	**–**	–
Work in progress	**209**	143	**–**	–
Finished goods	**2,211**	810	**–**	–
	3,813	1,805	**–**	–

Inventories with a carrying value of £3,813,000 (2006 – £1,805,000) have been pledged as security for the Group's bank overdrafts Management believe that net realisable value approximates to fair value

18 Trade and other receivables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade receivables	**1,943**	1,220	**–**	–
Amounts receivable from subsidiaries	**–**	–	**2,014**	2,088
Prepayments and other receivables	**113**	108	**–**	15
	2,056	1,328	**2,014**	2,103

Trade receivables with a carrying value of £1,943,000 (2006 – £1,220,000) have been pledged as security for the Group's borrowings under the invoice finance facilities and the Group's bank overdrafts

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

19 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

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash at bank and in hand	**1**	1	**–**	–
Sterling equivalent of deposit denominated in US dollars	**13**	76	**–**	–
	14	77	**–**	–

Notes to the financial statements

for the year ended 31 March 2007

20 Derivative financial instruments

Foreign exchange transaction risks

The Group utilises currency derivatives to hedge against significant future transactions and cash flows The Group is party to foreign currency forward contracts in the management of its exchange risk exposure, they are not held for speculative purposes The instruments purchased are in the currency used by the Group's principal overseas suppliers

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

At the balance sheet date the fair value of the group's derivatives was a liability of £4,000 which has been booked as a loss in the income statement in the period The fair value at 31 March 2006 was not significant and was not therefore booked as a gain in the income statement for the period

At the balance sheet date the Group has committed to £1,333,000 (2006 – £170,000) of forward exchange contracts

Interest rate risk

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

21 Trade and other payables – current liabilities

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade payables	**1,843**	899	**–**	1
Social security and other taxes	**265**	116	**–**	–
Accrued expenses	**251**	476	**–**	88
Amounts payable to subsidiary undertakings	**–**	–	**35**	35
	2,359	1,491	**35**	124

Notes to the financial statements
for the year ended 31 March 2007

22 Obligations under finance leases

Group

	31 March 2007 £'000	31 March 2006 £'000
Amounts payable under finance leases		
Within one year	**11**	3
Between two to five years	**40**	13
After 5 years	**–**	–
Total minimum lease payments	**51**	16
Future finance charges	**9**	3
	60	19

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

23 Bank overdrafts and loans

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank overdrafts	**331**	156	**–**	–
Borrowings under invoice finance facilities	**1,267**	184	**–**	–
Other loans	**353**	–	**–**	–
	1,951	340	**–**	–

The borrowings are repayable as follows

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £ 000
On demand or within one year	**1,951**	340	**–**	–

All borrowings are denominated in sterling The directors estimate that the fair value of the Group's borrowings approximates to the carrying value

Notes to the financial statements

for the year ended 31 March 2007

23 Bank overdrafts and loans *(continued)*

The weighted interest rates paid were as follows

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Bank overdrafts	**7.5**	7 2	–	7 2
Borrowings under invoice finance facilities	**6 6**	6 3	–	6 3
Other loans	**6 7**	6 3	–	6 3
Bank loans	**–**	8 0	–	8 0

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

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

At 31 March 2007 the group had available £416,000 (2006 – £453,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met

24 Deferred tax

The following are the major deferred tax liabilities recognised by the Group and movements thereon

Group

	Accelerated tax depreciation £'000	Tax losses £'000	Total £'000
At 1 April 2005	15	–	15
Charge to income	(15)	–	(15)
At 31 March 2006 and 31 March 2007	–	–	–

Company

There is no charge to deferred tax for the company

At the balance sheet date, the Group has unused tax losses of £4,206,000 (2005 – £4,410,000) available for offset against future profits No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams All losses may be carried forward indefinitely

Notes to the financial statements
for the year ended 31 March 2007

25 Share capital

	Ordinary shares of 1p each 2007 £'000	2007 Number	2006 £'000	2006 Number
Authorised	**1,223**	**122,346,000**	1,223	122,346,000
Issued and fully paid	**543**	**54,275,876**	543	54,275,876

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

26 Prior year adjustment

An adjustment has been made reducing the value of the Goodwill disclosed in the financial statements The introduction of IFRS allowed for the carrying value at the transition date to form the basis of the ongoing valuation, which would then be subject to impairment tests The value originally used at the transition date incorrectly excluded the accumulated depreciation of £33,000 at that date This error has been corrected in the financial statements by adjusting the carrying value of Goodwill and retained earnings

27 Reserves and changes in equity

Group

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve £000	Special reserve £000	Share-based payment reserve £000	Retained reserve £000	Total equity £000
At 1 April 2005	543	1,229	18	7	13	26	(533)	1,303
Prior year adjustment	–	–	–	–	–	–	(33)	(33)
At 1 April 2005 (restated)	543	1,229	18	7	13	26	(566)	1,270
Additional provision	–	–	–	–	–	21	–	21
Net profit for the year	–	–	–	–	–	–	823	823
At 31 March 2006	543	1,229	18	7	13	47	257	2,114
Additional provision	–	–	–	–	–	5	–	5
Net profit for the year	–	–	–	–	–	–	383	383
At 31 March 2007	543	1,229	18	7	13	52	640	2,502

The prior year adjustment is described in note 26

Company

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Share-based payment reserve £000	Retained reserve £000	Total equity £000
At 1 April 2005	543	1,229	18	1,441	26	(2,035)	1,222
Additional provision	–	–	–	–	21	–	21
Net profit for the year	–	–	–	–	–	796	796
At 31 March 2006	543	1,229	18	1,441	47	(1,239)	2,039
Additional provision	–	–	–	–	5	–	5
Net (loss) for the year	–	–	–	–	–	(5)	(5)
At 31 March 2007	543	1,229	18	1,441	52	(1,244)	2,039

Notes to the financial statements

for the year ended 31 March 2007

27 Reserves and changes in equity *(continued)*

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 2007 goodwill written off amounts to £2,575,000 (2006 – £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

28 Share-based payments

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

	Ordinary shares of 1p each 2007 Number	2007 Weighted average exercise price	2006 Number	2006 Weighted average exercise rice
Outstanding at the beginning of the period	**4,682,203**	**2 75p**	5,182,203	2 75p
Forfeited in the period	**(425,653)**	**2 75p**	(500,000)	2 75p
Outstanding at the end of the period	**4,256,550**	**2 75p**	4,682,203	2 75p

The options were granted on 9 January 2004 and are exercisable between 9 January 2007 and 8 January 2011

The inputs into the Black-Scholes model are as follows

	Year ended 31 March 2006 and 2007
Weighted average share price (pence)	3 00p
Weighted average exercise price (pence)	2 75p
Expected volatility (%)	41 8%
Expected life (years)	1 3
Risk free rate (%)	4 5%
Expected dividends (pence)	–

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

The Group recognised total expenses of £5,000 (2006 – £21,000) related to share based payments

On 23 August 2007 a further 1,120,000 options were issued at an exercise price of 4 75p These options are exercisable between 23 August 2010 and 23 August 2014

Notes to the financial statements

for the year ended 31 March 2007

29 Retirement benefit scheme

The Group operates a defined contribution scheme for certain employees The assets of the scheme are held separately from the Group The charge in the consolidated income statement in the year was £34,000 (2006 – £40,000) and cash contributions were £34,000 (2006 – £40,000)

30 Operating lease arrangement

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

	Group		Company	
	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**206**	188	–	–

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

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Within one year	**177**	265	–	–
In the second to fifth year inclusive	**1,354**	241	–	–
After five years	**2,873**	–	–	–
Total	**4,404**	506	–	–

31 Capital commitments

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Contracts placed for future capital expenditure not provided for in the financial statements	**12**	14	–	–

Notes to the financial statements

for the year ended 31 March 2007

32 Related party transactions

Transactions between the parent company and its subsidiaries

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

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Sale of assets on transfer of business	–	613
Charges for management services	40	–
Interest charged on inter company financing	–	113

The assets and trade formerly undertaken by Creightons Plc was transferred to its wholly owned subsidiary, Potter & Moore Innovations Limited, on 31 March 2006

The amounts owed by and to subsidiary companies are

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Amounts receivable from subsidiary undertakings	**2,014**	2,088
Amounts payable from subsidiary undertakings	**(35)**	(35)

Whiskin Limited

Group companies entered into the following transactions with Whiskin Limited, a company of which Mr McIlroy is a director and controlling shareholder

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Loan payable to Whiskin Limited		
Start of period	–	653
Interest charged	–	32
Repayments of interest and capital	–	(685)
End of period	–	–

Oratorio Developments limited

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

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Rental charges	84	–
Re-imbursement of utility charges	5	–
Total	89	–

Notes to the financial statements

for the year ended 31 March 2007

32 Related party transactions *(continued)*

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 16 to 19

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Salaries and other short term benefits	**208**	196
Post employment benefits	**3**	4
Share based payments	**4**	16
Total	**215**	216

33 Notes to cash flow statement

Group

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £ 000
Profit from operations	**461**	926
Adjustments for		
Investment revenues	**1**	3
Depreciation on property plant and equipment	**117**	167
Amortisation of intangible assets	**55**	5
(Gain) on disposal of property, plant and equipment	**(6)**	(442)
Share based payment charge	**5**	21
Other non cash items	**4**	–
	637	680
(Increase)/decrease in inventories	**(2,008)**	283
(Increase)/decrease in trade and other receivables	**(728)**	278
Increase/(decrease) in trade and other payables	**868**	(640)
Cash (absorbed by)/generated from operations	**(1,231)**	601
Interest paid	**(79)**	(121)
Cash (outflow)/inflow	**(1,310)**	480

Additions to plant and equipment during the year amounting to £47,000 (2006 – 16,000) were financed by new finance leases

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

Notes to the financial statements
for the year ended 31 March 2007

33 Notes to cash flow statement *(continued)*

Company

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
(Loss)/profit from operations	**(5)**	719
Adjustments for		
Depreciation on property plant and equipment	–	85
Amortisation of intangible assets	–	3
(Gain) on disposal of property, plant and equipment	–	(442)
Share based payment charge	**5**	21
	–	386
Decrease in inventories	–	611
Decrease/(increase) in trade and other receivables	**89**	(861)
(Decrease) in trade and other payables	**(89)**	(849)
Cash absorbed by operations	–	(713)
Interest paid	–	(36)
Cash outflow	–	(749)

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

Creightons plc

Proxy for use at Annual General Meeting of the Company, to be held at the offices of Potter & Moore Innovations Ltd, 1210 Lincoln Road, Peterborough, PE4 6ND on Tuesday 20 November 2007 at 12 00 noon

Please insert full names and addresses

I/We
PLEASE USE BLOCK CAPITALS

of

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

appoint

of

or failing him

of

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

Please tick as required

Resolutions		For	Against
1	To receive the directors' and auditor's reports and financial statements for the year ended 31 March 2007		
2	To approve the directors' remuneration report for the year ended 31 March 2007		
3	To re-appoint Mr B Johnson as a director		
4	To re-appoint Mr WT Glencross as a director		
5	To re-appoint Chantrey Vellacott DFK as auditors and to authorise the directors to fix their remuneration		
6	To give authority to the directors to allot shares pursuant to section 80 of the Companies Act 1985		
7	As a special resolution, to grant a limited disapplication of the statutory pre-emption rights contained in section 89 of the Companies Act 1985		
8	As a special resolution, to give a limited power to the Company to purchase its own shares		

Please date

Dated this day 2007

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 posted to the address shown overleaf or delivered to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU no later than 48 hours before the time of the meeting

2 In the case of a corporation this proxy shall 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 for attending and voting at the meeting should they subsequently decide to do so.

Third Fold and Tuck in

BUSINESS REPLY SERVICE
Licence No MB 122

1

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

First Fold

Second Fold