

# **CREIGHTONS plc**

## **Report and Financial Statements 31 March 2000**

Registered Number 1227964



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**Directors, advisers and bankers**

**Directors**

Roger Lane-Smith, *Non-executive Chairman*

William McIlroy, *Executive Vice-Chairman*

Mary Carney, *Non-executive Director*

**Registered office**

Water Lane

Storrington

West Sussex RH20 3DP

Registered in England & Wales No 1227964

**Company secretary**

Nicholas O'Shea BSc, ACMA

**Auditors**

Chantrey Vellacott DFK

Russell Square House

10-12 Russell Square

London

WC1B 5LF

**Stockbroker**

Seymour Pierce Limited

29/30 Cornhill

London

EC3V 3NF

**Registrars**

Northern Registrars Ltd

Northern House

Woodsome Park

Fenay Bridge

Huddersfield

HD8 0LA

**Solicitors**

DLA

101 Barbirolli Square

Manchester

M2 3DL

**Bankers**

Barclays Bank PLC

1 Chapel Road

Worthing

West Sussex

BN11 1EX

**Financial advisers**

Strand Partners Limited

110 Park Street

London

W1Y 3RB

## **Notice of meeting**

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at the offices of DLA at 3 Noble Street, London, EC2V 7EE on 26 October 2000 at 10am, in order to consider and, if thought fit, pass the following resolutions:

1. To receive and consider the Company's accounts and reports of the directors and auditors for the year ended 31 March 2000.
2. To reappoint Mary Teresa Carney as a director, retiring by rotation under the provision of Article 103 of the Articles of Association as a director of the Company.
3. To reappoint Chantrey Vellacott DFK as auditors of the Company and to authorise the directors to determine their remuneration.
4. 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 £172,304.62 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, 15 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."

5. 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 4 above as if Section 89(1) 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 interests 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 £25,845.69;

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 equity 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."

6. 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 purchases (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 2,584,569 Ordinary Shares (representing 5 per cent. of the Company's issued share capital as at 31 March 2000); and
- (c) the maximum price which may be paid for each Ordinary Share pursuant to the authority hereby conferred is an amount equal to 105 per cent. 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 is 1p.

By order of the Board

Nicholas O'Shea  
*Company Secretary*

Water Lane  
Storrington  
West Sussex  
RH20 3DP  
29 September 2000

Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. Instruments appointing proxies must be lodged with the Company's Registrars, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA 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 notorially 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 10am on 24 October 2000 (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 Interests required under section 325 of the Companies Act 1985 will be available for inspection at the Company's registered office address during normal working hours from the date of this notice to 19 October 2000 inclusive and for at least 15 minutes prior to and during the Annual General Meeting.

## **Chairman's statement**

### **Review of the year**

The year ended 31 March 2000 was one of major change for Creightons.

The Group's performance and financial position were both under significant pressure during the financial year. Following the departure from the Board of Mr Barry Dale on 23 December 1999, the Board carried out an urgent review of the financial position of the Group and concluded that an immediate fundraising was necessary to avoid insolvency. Accordingly, to stabilise the Company's manufacturing operation, the Board launched an open offer in February 2000 and raised approximately £1.5 million of additional equity from shareholders.

The Board also took the view that there was little realistic prospect of being able to grow and develop the Company's manufacturing business on a basis that could realistically generate attractive returns for shareholders in the foreseeable future.

The Board announced in the open offer prospectus that the Creightons management team, led by Mr Hamilton (the Company's former Chief Executive Officer), had made an indicative proposal to the Board to acquire the manufacturing business, but stated that the terms of management's proposal were not at that time acceptable. The failure of management's proposals culminated in the recent resignation from the Board of Mr Hamilton.

The Board now comprises myself as non-executive Chairman, Mr McIlroy as executive Vice-Chairman, and Ms Carney as non-executive Director. Both Mr McIlroy and Ms Carney were appointed to the Board in November 1999.

Much effort has been put into restructuring the stability of the Company's customer base, and in August 2000 we were rewarded by increased sales at a satisfactory level. Order levels are encouraging and the outlook up to Christmas is in line with our expectations.

Your Board's strategy remains as stated in the open offer prospectus of February 2000; to dispose of the Group's remaining net assets and to find a suitable company to reverse into the quoted shell. Your Board will use every endeavour to secure this objective within an acceptable timeframe, for the benefit of all of Creightons shareholders.

At the date of publication, the Board is in negotiations with respect to the possible disposal of part of the freehold land owned by the Company at Storrington. If negotiations are successfully concluded, the sale would enable the Company to repay a significant portion of its bank borrowings. A further announcement will be made as soon as practicable.

### **Financial results**

Sales in the financial year were £5,214,000 (1999: £5,589,000). Operating losses and losses before tax were £1,666,000 and £1,825,000 respectively (1999 operating loss £1,923,000; loss before tax £1,979,000). Loss per share was 8.5p (1999: 9.8p) The Group's net asset position deteriorated significantly during the course of the financial year but was restored by the fund raising of £1.3 million net of expenses in March 2000.

Net assets at 31 March 2000 were £1,668,000 compared to net assets at 31 March 1999 of £2,185,000. Debt levels rose to unacceptable levels during the year along with trade creditors. As soon as the proceeds of the open offer were received, both bank debt and trade creditors were brought down to acceptable levels. As at 31 March 2000, net indebtedness totalled £1,876,000, representing gearing of approximately 112 per cent.

### **Current year developments**

During the current financial year the manufacturing business has been managed on a day to day basis by Bernard Johnson, who is working for the Company under contract. Mr Johnson, together with Mr McIlroy, has done an excellent job in stabilising the downturn in sales and reducing overheads. With the improved figures for August and a satisfactory order book, the Board hopes and believes that the manufacturing business now has the platform on which to move forward.

Creditors levels have remained normalised since the March fundraising and the Group continues to operate within its bank facilities. The Group is currently operating with an informal facility from its bankers pending the outcome of the negotiations to dispose of part of the freehold land at Storrington, as referred to above. If this transaction is not concluded, the Group's bankers have confirmed that they will renew the existing facilities in the ordinary course of business.

The Board would like to thank all its employees for their hard work and dedication.

Roger Lane-Smith  
*Chairman*

29 September 2000

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2000.

### Principal activities

The principal activity of the Group is the creation and manufacture of toiletries and fragrances. A review of the operations of the Group during the year, events since the end of the year and future developments are set out in the Chairman's statement on page 5.

### Financial

The loss for the year is shown in the profit and loss account on page 13. The directors do not recommend the payment of a dividend (1999: £nil).

### Research and development

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

### Directors

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

Barry Dale	(resigned 23 December 1999)
Roger Lane-Smith (non-executive)	
William E Hamilton	(appointed 7 July 1999) (resigned 13 September 2000)
Michael Gubbins	(resigned 8 September 1999)
Peter Somers	(resigned 28 September 1999)
William McIlroy	(elected non-executive 4 November 1999) (appointed executive 21 February 2000)
Mary Carney (non-executive)	(elected 4 November 1999)

The director retiring by rotation is Mary Carney. Ms Carney is a freelance tax consultant and a former senior tax partner with Grant Thornton, Chartered Accountants, Belfast. Ms Carney is also a member of the Institute of Taxation, and prior to joining Grant Thornton, was a tax inspector.

Roger Lane-Smith is both Senior Partner and Chairman of the Board of DLA, a national firm of solicitors. He is also a director of JJB Sports plc, MS International Plc and a number of private companies.

### Directors' interests

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

	31 March 2000			1 April 1999		
	1p ordinary shares			20p ordinary shares		
	Beneficial	Options	Trustee	Beneficial	Options	Trustee
B Dale	*	*	*	*	*	—
M Gubbins	*	*	*	*	*	—
P Somers	*	*	*	*	*	—
W McIlroy	10,800,000**	—	—	4,340,000**	—	—
WE Hamilton	489,500	—	—	195,000	—	—

Note:

This table excludes the deferred shares, which were cancelled by Order of the Court on 5 April 2000.

\* Ceased to be a director of the Company during the year.

\*\* Of these shares, 10,750,000 (1999: 4,320,000) are owned by Oratorio Developments Ltd, of which Mr McIlroy is a director, and 50,000 (1999: 20,000) are owned by Mr McIlroy personally.

At the end of the year, no serving director held share options.



**Substantial holdings**

At 25 September 2000, the following substantial interests, being 3 per cent. or more of the ordinary shares in issue, had been notified to the Company:

Adam & Company (Nominees) Limited (Mr Barry Dale)	2,451,740	4.7%
Citifriends Nominee Limited (Friends Provident Stewardship Investment Trust)	3,272,837	6.3%
Hambros Bank (Nominees) Limited (Singer & Friedlander Talent Fund)	1,854,940	3.6%
Mr Hamilton	489,000	0.9%
Nortrust Nominees Limited (Jupiter Asset Management (Ecology Fund))	4,825,000	9.3%
Oratorio Developments Limited & Mr McIlroy	10,800,000	20.9%
RBSTB Nominees Ltd (Friends Provident Ethical Investment Trust)	1,785,185	3.5%
The Bank of New York (Nominees) Limited (Jupiter Asset Management (Skandia Ethical))	4,947,310	9.6%

**Corporate governance**

In June 1998, the Stock Exchange published the Principles of Good Governance and Code of Best Practice ("the Combined Code") which embraces the work of the Cadbury, Greenbury and Hampel committees and became effective in respect of accounting periods ending on or after 31 December 1998. Your Board is committed to the principles of openness, integrity and accountability set out in the Combined Code and operates within the spirit of the code.

The Board has complied throughout the year with the Combined Code apart from the following:

- concerning non-executive directors; Mr Lane-Smith's appointment as a non-executive director is not for a specific term. Mr McIlroy (an executive director) and Ms Carney (a non-executive director) have appointments for a fixed term of one year;
- concerning executive directors' remuneration, the only currently serving executive director (Mr McIlroy) does not draw any fees or salary in respect of his services;
- under the Articles of Association, the Chairman (and Managing Director if one is appointed) are not subject to re-election.

The directors consider that the Company is not sufficiently large to warrant the need for certain requirements of the Combined Code, and therefore the following exceptions arise: The Company has not created a separate nominations committee; the audit committee comprises only one non-executive director, whilst the Combined Code requires there to be three; and there is no formal training for executive directors.

**Internal controls**

Bearing in mind the decision taken at the EGM in March 2000 to exit the toiletries business, which is the Company's only trade at present, as soon as practicable, your Board does not consider it appropriate to implement the wider requirements contained within the guidance *Internal Control: Guidance for Directors on the Combined Code*.

In particular, the Board has decided not to undertake the requirements for holding a risk management workshop or for the development of a risk management policy, since it is hoped that the business will have been disposed of by the time these could be fully implemented. It is also considered that the time and expense incurred would therefore be wasted, and an unnecessary use of the limited resources available to the Company. The Board has also considered the need for internal audit, but has decided that because of the size of the Group it cannot be justified.

**Internal financial controls**

The Board is responsible for the Group's system of internal financial controls and for reviewing its effectiveness. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board considers on a regular basis the comparison between actual, budget, and prior year financial performance. The Managing Director Mr Gubbins, and subsequently the Chief Executive Mr Hamilton, reported regularly during the year to the Board on overall financial performance, and on the effectiveness of cost and expenditure control. No significant payments may be made without the approval of at least one of the directors.

The situation is under constant review as the Board considers options for the disposal of the business.

**Going concern**

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

**Remuneration Committee report**

The Chairman, Roger Lane-Smith does not have a formal letter of appointment with the Company, but there is set out in a letter from Mr Lane-Smith to the Company dated 10 December 1999 the basis upon which Mr Lane-Smith serves as a director.

Mr Lane-Smith records his time on an hourly basis in respect of not only his attendance at meetings of the Board but also in respect of other time spent and attendances made in between such meetings; an account is then rendered through DLA on a periodic basis in respect of time actually spent. For the purposes of the limit on remuneration for the non-executive directors of the Company set out in the articles of association of the Company, charges made in such manner up to £10,000 annualised are deemed to be director's fees. Any charges in excess of this amount are in respect of legal services rendered. Historically, since Mr Lane-Smith became a director of the Company, it is estimated that the annualised charges made by DLA for the services of Mr Lane-Smith have been approximately £12,000.

The arrangements between Mr Lane-Smith and the Company can be terminated by either party giving to the other three months' notice.

Mr McIlroy has a letter of appointment dated 29 November 1999, counter-signed by him on 30 November 1999, but with an effective date of 4 November 1999. Mr McIlroy receives no fee but is reimbursed for all reasonable out-of-pocket expenses incurred in the course of performing his duties for the Company.

The letter states that Mr McIlroy does not participate in any Company share, bonus or pension schemes or other fringe benefit arrangements.

The appointment under the letter is for a fixed term of one year but is terminable at any time by Mr McIlroy's resignation or removal from office as a director. If Mr McIlroy wishes to resign from office, then he is requested to give 12 month's notice. The appointment terminates automatically if Mr McIlroy vacates or is deemed to vacate his office pursuant to the articles of association of the Company or is removed from office by resolution of the Company or is not re-elected as a director when he submits himself for re-election.

The terms and date of the letter of appointment for Ms Carney are identical to those of the letter of appointment of Mr McIlroy, save that Ms Carney is stated to have been appointed to the Company's Remuneration Committee and that a director's fee of £10,000 per annum payable by the Company to the employer of Ms Carney (Mary Carney Associates) in respect of the services provided by Ms Carney under the letter of appointment.

**Emoluments paid to the directors in the year comprised:**

	<i>Salaries /Fees £'000</i>	<i>Benefits £'000</i>	<i>Loss of office £'000</i>	<i>Total 2000 £'000</i>	<i>Total 1999 £'000</i>	<i>Pensions 2000 £'000</i>	<i>Pensions 1999 £'000</i>
B Dale	40		150	190	120		
WE Hamilton	160	5	40	205		10	
P Somers	107	9	33	149	53	10	5
M Gubbins	41		47	88	78	6	7
R Lane-Smith	12			12	12		
WO McIlroy	0			0			
MT Carney	4			4			
	<u>364</u>	<u>14</u>	<u>270</u>	<u>648</u>	<u>263</u>	<u>26</u>	<u>12</u>

In the opinion of the committee, the Company has complied with Section A of the best practice provisions annexed to the Listing Rules, other than the composition of the Committee which, due to the size and composition of the Board, comprises the two non-executive directors. In forming the remuneration policy, the committee has given full consideration to Section B of the best practice provision annexed to the Listing Rules.

**Share capital**

Movements in share capital are set out in Note 15.

**Charitable donations**

No donations were made during the year (1999: £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 2000 was 70 days (1999: 62 days).

**Annual general meeting**

A notice of annual general meeting is set out on page 3. This includes special resolutions allowing the directors to allot shares with a limited disapplication of pre-emption rights and limited power for the Group to purchase its own shares.

**Auditors**

A resolution for the re-appointment of Chantrey Vellacott DFK as the auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Nicholas O'Shea  
Company Secretary

29 September 2000

Water Lane  
Storrington  
West Sussex  
RH20 3DP

### **Statement of directors' responsibilities**

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

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

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

## **Report of the auditors to the members of Creightons plc**

We have audited the financial statements on pages 13 to 26 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 17 and 18.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the annual report including, as described on page 11, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statements on pages 8 to 10 reflect the Company's compliance with the provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if they do not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the Company's corporate governance procedures or risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statements, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

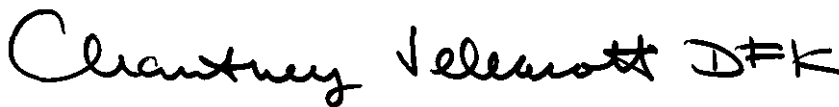
### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2000 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



CHANTREY VELLACOTT DFK

Chartered Accountants

Registered Auditors

29 September 2000

# Consolidated profit and loss account

For the year ended 31 March 2000

		2000		1999	
	Note	£000	£000	£000	£000
<b>Turnover</b>	2		5,214		5,589
Cost of sales		(4,134)		(4,737)	
Exceptional cost of sales	6	<u>(273)</u>		<u>(235)</u>	
Total cost of sales			<u>(4,407)</u>		<u>(4,972)</u>
<b>Gross profit</b>			807		617
Operating expenses		(2,146)		(2,185)	
Exceptional operating expenses	6	<u>(327)</u>		<u>(355)</u>	
Total operating expenses			<u>(2,473)</u>		<u>(2,540)</u>
<b>Operating loss</b>	3		(1,666)		(1,923)
Net interest payable	7		<u>(159)</u>		<u>(56)</u>
<b>Loss on ordinary activities before taxation</b>			(1,825)		(1,979)
Tax on loss on ordinary activities	8		<u>—</u>		<u>41</u>
<b>Retained loss for the year</b>	16		<u>(1,825)</u>		<u>(1,938)</u>
Loss per share	9		<u>(8.5p)</u>		<u>(9.8p)</u>
Loss per share before exceptional items			<u>(5.7p)</u>		<u>(6.8p)</u>
Loss per share on exceptional items			<u>(2.8p)</u>		<u>(3.0p)</u>
Diluted loss per share	9		<u>(8.5p)</u>		<u>(8.9p)</u>

The turnover and operating loss arose from continuing operations.

The Group had no gains or losses other than the above results.

# Consolidated balance sheet

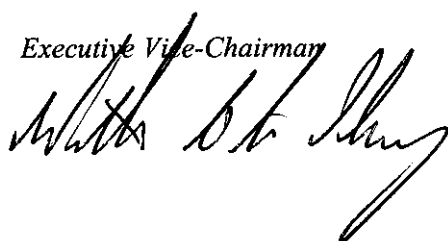
At 31 March 2000

	Note	2000		1999	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	10		3,329		3,522
<b>Current assets</b>					
Stocks	12	806		1,046	
Debtors	13	943		913	
		1,749		1,959	
<b>Creditors: amounts falling due within one year</b>	14	(2,959)		(2,746)	
<b>Net current liabilities</b>			(1,210)		(787)
<b>Total assets less current liabilities</b>			2,119		2,735
<b>Creditors: amounts falling due after more than one year</b>	14		(451)		(550)
<b>Net assets</b>			<u>1,668</u>		<u>2,185</u>
<b>Capital and reserves</b>					
Called up share capital	15		4,294		3,975
Share premium account	16		1,185		196
Capital redemption reserve	16		18		18
Capital reserve	16		7		7
Special reserve	16		13		13
Profit and loss account	16		(3,849)		(2,024)
<b>Equity shareholders' funds</b>			<u>1,668</u>		<u>2,185</u>

These financial statements were approved by the Board on 29 September 2000 and were signed on its behalf by:

W. O. McIlroy

*Executive Vice-Chairman*



**Balance sheet**

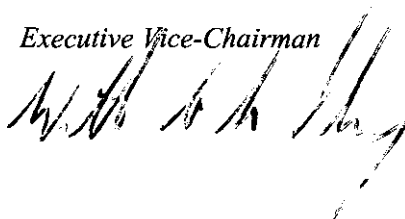
At 31 March 2000

	Note	2000		1999	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	10		3,329		3,522
<b>Current assets</b>					
Stocks	12	806		1,046	
Debtors	13	943		913	
		1,749		1,959	
<b>Creditors: amounts falling due within one year</b>	14	(2,959)		(2,746)	
<b>Net current liabilities</b>			(1,210)		(787)
<b>Total assets less current liabilities</b>			2,119		2,735
<b>Creditors: amounts falling due after more than one year</b>	14		(451)		(550)
<b>Net assets</b>			1,668		2,185
<b>Capital and reserves</b>					
Called up share capital	15		4,294		3,975
Share premium account	16		1,185		196
Capital redemption reserve	16		18		18
Special reserve	16		1,441		1,441
Profit and loss account	16		(5,270)		(3,445)
<b>Equity shareholders' funds</b>			1,668		2,185

These financial statements were approved by the Board on 29 September 2000 and were signed on its behalf by:

W. O. McIlroy

*Executive Vice-Chairman*





# Consolidated cash flow statement

For the year ended 31 March 2000

	<i>Note</i>	<i>2000</i> <i>£000</i>	<i>1999</i> <i>£000</i>
<b>Net cash outflow from operating activities</b>	22	(845)	(1,194)
<b>Returns on investments and servicing of finance</b>	23	(159)	(56)
<b>Taxation</b>	23	—	41
<b>Capital expenditure and financial investment</b>	23	(135)	(172)
Cash outflow before management of liquid resources and financing		(1,139)	(1,381)
<b>Financing</b>	23	1,091	(110)
Decrease in cash in the period		(48)	(1,491)
<b>Reconciliation of net cash flow to movement in net debt</b>	24		
Decrease in cash in the period		(48)	(1,491)
Cash outflow from repayment of debt		217	110
		169	(1,381)
New finance leases		(54)	(43)
<b>Movement in net debt in the period</b>		115	(1,424)
<b>Net debt at the start of the period</b>		(1,991)	(567)
<b>Net debt at the end of the period</b>		(1,876)	(1,991)

**Notes** (forming part of the financial statements)

**1. Accounting policies**

***Basis of preparation***

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

***Going concern***

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The Group meets its day to day working capital requirements through an overdraft facility which was due for renewal on 30 June 2000.

On the basis of the current strategy, the Directors have prepared working capital projections for a period ending 18 months from the date of approval of these financial statements.

On the basis of those projections the directors consider it appropriate to prepare the financial statements on a going concern basis.

***Basis of consolidation***

The group accounts consolidate the accounts of Creightons plc and its subsidiary undertakings. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to date of disposal. Purchased goodwill arising on consolidation in respect of acquisitions before 5 April 1997, when FRS 'Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal. Any purchased goodwill arising on consolidation in respect of acquisitions after 5 April 1997, is capitalised. Positive goodwill is amortised to nil by equal instalments over its estimated useful life. Any negative goodwill arising in respect of acquisitions after 5 April 1997, will be included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

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

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

The amount of the loss for the financial year dealt with in the financial statements of Creightons plc is disclosed in note 17 to these financial statements.

***Fixed assets***

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

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

	<i>% per annum</i>
Freehold land	Nil
Freehold buildings	2
Leasehold properties	over the lease period
Plant and equipment	10
Fixtures and fittings	10
Computers	25
Motor vehicles	20

***Stocks***

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

***Research and development***

Research and development expenditure is written off as incurred.

***Leases***

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

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

***Pensions***

The Company contributes to money purchase personal pension plans for senior employees. Charges in respect of the plans are made to the profit and loss account in the year in which they fall due.

***Currency translation***

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

**2. Turnover**

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

The geographical analysis of turnover by destination is as follows:

	2000	1999
	£000	£000
United Kingdom	4,922	5,206
Europe	191	278
North America	—	7
Asia	101	57
Australasia	—	41
	<u>5,214</u>	<u>5,589</u>

**3. Operating loss**

Operating loss is stated after charging:

	2000	1999
	£000	£000
Auditor's remuneration – audit	22	27
– non audit	25	126
Depreciation	358	380
Operating lease rentals – plant and machinery	24	17
Operating lease rentals – other, including land and buildings	75	67
	<u>774</u>	<u>617</u>

**4. Staff costs (including directors' remuneration)**

Average number of employees

	2000	1999
	No	No
Management	14	17
Administration	13	25
Production	61	80
	<u>88</u>	<u>122</u>

	2000	1999
	£000	£000
Wages and salaries	2,124	2,036
Social security costs	142	145
Pension contribution	50	47
	<u>2,316</u>	<u>2,228</u>

**5. Directors' remuneration**

	2000	1999
	£000	£000
Fees	322	132
For management	56	131
Pension contributions	26	12
Compensation for loss of office	270	—
	<u>674</u>	<u>275</u>

Details of directors' emoluments, options issued and outstanding options are set out in the directors' report.

**6. Exceptional costs**

	2000	1999
	<i>Cost of sales</i>	<i>Operating expenses</i>
	£000	£000
Compensation for loss of office/redundancy costs	88	50
Return goods provision	—	195
Abortive acquisition costs	—	305
Obsolete product range provision	185	40
	<u>273</u>	<u>590</u>

**7. Interest payable**

	2000	1999
	£000	£000
On bank loans, overdrafts and other loans wholly repayable within five years	144	73
On hire purchase contracts	15	12
	<u>159</u>	<u>85</u>
Bank interest receivable	—	(7)
Other interest receivable	—	(22)
	<u>159</u>	<u>56</u>

**8. Tax on loss on ordinary activities**

The taxation credit based on the loss for the year comprises:

	2000	1999
	£000	£000
Adjustment in respect of previous year	—	(41)
	<u>—</u>	<u>(41)</u>

**9. Loss per share**

The calculation of the basic loss per share figure has been based on the loss after taxation of £1,825,000 (1999: £1,938,000) and 21,441,184 (1999: 19,876,523) ordinary shares, the weighted average of the number of shares in issue during the period. The calculation of the diluted loss per share is based on the basic loss per share, unadjusted for the issue of shares on the assumed exercise of all dilutive options.

# 10. Tangible fixed assets

## Group and Company

	<i>Freehold land and buildings £000</i>	<i>Short leasehold land and buildings £000</i>	<i>Plant equipment fixtures and motor vehicles £000</i>	<i>Total £000</i>
<b>Cost or valuation</b>				
At 31 March 1999	2,217	64	4,898	7,179
Additions	—	—	210	210
Disposals	—	(64)	(312)	(376)
At 31 March 2000	<u>2,217</u>	<u>—</u>	<u>4,796</u>	<u>7,013</u>
<b>Depreciation</b>				
At 31 March 1999	77	60	3,520	3,657
Charge for year	26	4	328	358
Disposals	—	(64)	(267)	(331)
At 31 March 2000	<u>103</u>	<u>—</u>	<u>3,581</u>	<u>3,684</u>
<b>Net book value</b>				
At 31 March 2000	<u>2,114</u>	<u>—</u>	<u>1,215</u>	<u>3,329</u>
At 31 March 1999	<u>2,140</u>	<u>4</u>	<u>1,378</u>	<u>3,522</u>

Freehold land and buildings were valued at open market value with vacant possession on 30 September 1996 by Stiles Harold Williams, a firm of independent consultant surveyors and valuers in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes. This was supplemented by a desk top review in July 1998 which showed no material difference.

Included within plant, equipment, fixtures and motor vehicles are assets held under hire purchase contracts with a net book value of £211,000 (1999: £233,000) on which £47,000 depreciation has been charged during the year (1999: £46,000).

### Historical cost

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

	<i>Group £000</i>	<i>Company £000</i>
<b>Cost</b>		
At 31 March 1999 and 31 March 2000	<u>3,050</u>	<u>3,284</u>
<b>Depreciation based on cost</b>		
At 31 March 1999	(663)	(717)
Charge for year	(26)	(26)
At 31 March 2000	<u>(689)</u>	<u>(743)</u>
<b>Historical book value At 31 March 2000</b>	<u>2,361</u>	<u>2,541</u>
At 31 March 1999	<u>2,387</u>	<u>2,567</u>

Freehold land which is included above and amounts to £1,254,000 (1999: £1,254,000) has not been depreciated in the period.

**11. Fixed asset investments**

The Company owns the entire issued ordinary share capital of Dalton Young Products Ltd, Crestol Ltd, St James Perfumery Co Ltd, The Haircare Studio Ltd (formerly Creightons Corporate Services Ltd), Suavis Ltd and Creightons Naturally Ltd. As at 31 March 2000 these were all dormant subsidiary undertakings which are registered in England and Wales.

**12. Stocks**

**Group and Company**

	2000	1999
	£000	£000
Raw materials and containers	384	503
Bulk preparation	81	95
Finished goods	341	448
	<u>806</u>	<u>1,046</u>

**13. Debtors**

**Group and Company**

	2000	1999
	£000	£000
Trade debtors	943	855
Prepayments and accrued income	—	58
	<u>943</u>	<u>913</u>

All debtors fall due within one year.

**14. Creditors**

**Group and Company**

	2000		1999	
	<i>Due within one year</i>	<i>Due after one year</i>	<i>Due within one year</i>	<i>Due after one year</i>
	£000	£000	£000	£000
Bank overdraft	1,257	—	1,209	—
Other loans	120	390	120	480
Bank loans	10	15	35	25
Trade creditors	740	—	643	—
HP contracts	39	46	77	45
Other creditors including tax and social security	108	—	72	—
Accruals and deferred income	685	—	590	—
	<u>2,959</u>	<u>451</u>	<u>2,746</u>	<u>550</u>
	<i>Bank and other loans</i>			
			2000	1999
			£000	£000
Analysis of borrowings				
Repayment due: within 1 year			130	155
In 1-2 years			130	130
In 2-5 years			275	375
			<u>535</u>	<u>660</u>

The bank loans and overdraft are secured by mortgages on the freehold property. There is a bank loan of £25,000 repayable in quarterly instalments of £2,500 bearing interest at 1.75 per cent. above the bank's base rate.

There is a further bank loan of £510,000 repayable in quarterly instalments of £30,000 over 5 years bearing interest at 1.75 per cent. above the bank's base rate.

Obligations under HP contracts fall due as follows:

	2000	1999
	£000	£000
Amounts payable within one year	39	77
Amounts payable in two to five years	46	45
	<u>85</u>	<u>122</u>

### 15. Called up share capital

	2000		1999	
	£000	No	£000	No
Ordinary shares of 20p each	—	—	5,000	25,000,000
Ordinary shares 1p each	1,223	122,346,000	—	—
Deferred shares of 1p each	3,777	377,654,000	—	—
	<u>5,000</u>	<u>500,000,000</u>	<u>5,000</u>	<u>25,000,000</u>
	<i>Allotted, called-up and fully paid</i>			
	2000		1999	
	£000	No	£000	No
Ordinary shares of 20p each	—	—	3,975	19,876,523
Ordinary shares 1p each	517	51,691,387	—	—
Deferred shares of 1p each	3,777	377,653,937	—	—
	<u>4,294</u>	<u>429,345,324</u>	<u>3,975</u>	<u>19,876,523</u>

Details of the share options outstanding are given in note 21.

By a Special Resolution dated 9 March 2000 each of the authorised but unissued ordinary shares of 20p each in the capital of the Company was subdivided into 20 ordinary shares of 1p each. Of the resulting 500,000,000 ordinary shares of 1p each, 377,654,000 shares of 1p each were redesignated as deferred shares.

In order to increase the working capital of the Company, 31,814,784 shares of 1p each were issued at 5p on 13 March 2000.

The deferred shares were cancelled by a Court Order on 5 April 2000. After this date the issued share capital of the Company was £516,914.

### 16. Reserves

#### Group

	Share premium account	Capital redemption reserve	Capital reserve	Special reserve	Profit and loss account
	£000	£000	£000	£000	£000
At 31 March 1999	196	18	7	13	(2,024)
Retained loss for the year	—	—	—	—	(1,825)
Premium on shares issued in the year	989	—	—	—	—
At 31 March 2000	<u>1,185</u>	<u>18</u>	<u>7</u>	<u>13</u>	<u>(3,849)</u>



**Company**

	<i>Share premium account £000</i>	<i>Capital redemption reserve £000</i>	<i>Special reserve £000</i>	<i>Profit and loss account £000</i>
At 31 March 1999	196	18	1,441	(3,445)
Retained loss for the year	—	—	—	(1,825)
Premium on shares issued in the year	989	—	—	—
At 31 March 2000	<u>1,185</u>	<u>18</u>	<u>1,441</u>	<u>(5,270)</u>

The cumulative goodwill written off amounts to £2,575,000 (1999: £2,575,000).

The Company obtained a court ruling dated 19 March 1997 under which the reduction in share premium was credited to a special reserve. The special reserve was first used to write off the deficit on the company profit and loss account and then to write off the goodwill arising on the acquisition of Crestol Limited on the Group profit and loss account.

Under the court ruling, the special reserve may be used to write off goodwill on any further 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.

**17. Reconciliation of movements in shareholders' funds**

	<i>Group</i>		<i>Company</i>	
	<i>2000 £000</i>	<i>1999 £000</i>	<i>2000 £000</i>	<i>1999 £000</i>
Loss for the financial year	(1,825)	(1,938)	(1,825)	(1,938)
Net proceeds from the issue of shares	1,308	—	1,308	—
Net reduction in shareholders' funds	(517)	(1,938)	(517)	(1,938)
Opening shareholders' funds	2,185	4,123	2,185	4,123
Closing shareholders' funds	<u>1,668</u>	<u>2,185</u>	<u>1,668</u>	<u>2,185</u>

**18. Capital commitments**

The Group had no capital commitments at 31 March 2000 (1999: £nil).

**19. Operating lease commitments**

At 31 March 2000 there were annual commitments under operating leases as follows:

	<i>2000</i>		<i>1999</i>	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Payments due within one year for leases which expire:				
Within one year	<u>—</u>	<u>8</u>	<u>71</u>	<u>16</u>

## **20. Pension scheme**

The Company contributes to money purchase personal pension plans for senior employees. Charges in respect of the plans are made to the profit and loss account in the year in which they fall. Pension costs in the year amounted to £50,000 (1999: £47,000). There were no contributions prepaid or outstanding at the year end (1999: £Nil).

## **21. Share option scheme**

The current share option scheme adopted on 27 October 1998 is open to any full time director or employee of the Group. Options granted under the scheme are for nil consideration, and there is a limit to the aggregate subscription price of options under all schemes that may be granted to any one participant. Share options are normally exercisable between three and ten years from their date of grant, subject to specific company earnings per share targets being achieved.

Due to changes in management and staffing during the year, and the departure from the Company during the year of a number of directors who had held substantial share options, there are now no share options outstanding under the current scheme.

At 31 March 2000 the following options were outstanding under a previous scheme:

<i>Date of grant of option</i>	<i>Number of ordinary shares</i>	<i>Period of exercise</i>	<i>Price</i>
<b>1986 approved scheme</b>			
May 1992	2,500	May 1995 to May 2002	235p

No further options have been granted between 31 March 2000 and 29 September 2000.

## **22. Reconciliation of operating loss to operating cash flows**

	<i>2000 £000</i>	<i>1999 £000</i>
Operating loss	(1,666)	(1,923)
Depreciation charges	358	380
Loss on disposal of fixed assets	25	24
Amounts written off fixed assets	—	27
Decrease in stocks	240	147
Increase/(decrease) in debtors	(30)	534
Increase/(decrease) in creditors	228	(383)
<b>Net cash outflow from operating activities</b>	<b><u>(845)</u></b>	<b><u>(1,194)</u></b>

**23. Gross cash flows**

	2000 £000	1999 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	—	29
Interest paid	(144)	(73)
Interest element of HP payments	(15)	(12)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<u>(159)</u>	<u>(56)</u>
<b>Taxation</b>		
Corporation tax refund	—	41
<b>Net cash inflow from taxation</b>	<u>—</u>	<u>41</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(156)	(172)
Sale of tangible fixed assets	21	—
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>(135)</u>	<u>(172)</u>
<b>Financing</b>		
Repayment of amounts borrowed	(125)	(635)
Capital element of HP payments	(92)	(75)
New loans	—	600
Issue of share capital	1,308	—
<b>Net cash inflow from finance</b>	<u>1,091</u>	<u>(110)</u>

**24. Analysis of changes in net debt**

	At 31 March 1999 £000	Cash flow £000	Other movements £000	At 31 March 2000 £000
Overdrafts	(1,209)	(48)	—	(1,257)
	<u>(1,209)</u>	<u>(48)</u>	<u>—</u>	<u>(1,257)</u>
Debt due after one year	(505)	100	—	(405)
Debt due within one year	(155)	25	—	(130)
HP contracts	(122)	92	(54)	(84)
	<u>(782)</u>	<u>217</u>	<u>(54)</u>	<u>(619)</u>
	<u>(1,991)</u>	<u>169</u>	<u>(54)</u>	<u>(1,876)</u>