CREIGHTONS plc

Report and Financial Statements
31 March 2001

Registered Number 1227964

Contents

Directors, advisers and bankers

Directors

William McIlroy, *Executive Chairman*
Mary Carney, *Non-executive Director*
Nicholas O'Shea, *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
10-12 Russell House
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

Coole & Haddock
14 Carfax
Horsham
West Sussex
RH12 1DZ

Bankers

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

Notice of meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the Roundabout Hotel, Monkmead Lane, West Chiltington, Pulborough, West Sussex RH20 2PF on 28 September 2001 at 11:30 am 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 2001.

2. To reappoint Mary Teresa Carney as a director, retiring by rotation under the provisions of Article 103 of the Articles of Association as a director of the Company.

3. To reappoint Nicholas Desmond John O'Shea as a director, retiring by rotation under the provisions of Article 101 of the Articles of Association as a director of the Company.

4. To reappoint Chantrey Vellacott DFK as auditors and to authorise the directors to determine their remuneration.

5. 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."

6. 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(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 £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 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 precious authorities of the directors pursuant to Section 95 of the said Act be and are hereby revoked."

7. 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 2,584,569 Ordinary Shares (representing 5% of the Company's issued share capital as at 31 March 2001); 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, such price being exclusive of advanced corporation tax, if any, payable by the Company.

By order of the board

Nicholas O'Shea
Company Secretary

Water Lane
Storrington
West Sussex
RH20 3DP
29 August 2001

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 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 10am on 26 September 2001 (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 to 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 21 September 2001 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 2001 was one of hard work and consolidation, seeing further major change for Creightons.

Following the failure of the management's proposals to buy-out the toiletries business, Mr Hamilton resigned from the Board and left the Company. The Board has continued with the services of Mr Bernard Johnson to manage the business on a day-to-day basis.

The Company faced a number of challenges, including the need to reduce operating costs to be more in line with sales volumes which are lower than in the past few years, and serious consequential overcapacity and under utilisation of the Company's manufacturing facilities at Storrington.

The Company's cost base has been successfully reduced to the point where it is sustainable on the existing sales level. The Company is exploring new markets and developing new products to increase sales levels. This includes exploiting the Company's existing 'Natural' and haircare brands, and developing unique new products for sale both under the Company's own brand names and with our major customers under their name. In addition, the Company has already secured exports to Australia, and is seeking further export markets for its branded products. Our sales force has also been focusing on expanding the Company's branded presence on the High Street, with successful extensions and new listings in many key chains.

The under utilisation of the Company's site at Storrington has been resolved by the recent disposal of part of that site, as agreed by shareholders at the EGM in February, which raised £1.24 million. The Company's production staff have undertaken a successful reorganisation of the Company's production and logistics operations.

The Company had been for some time involved in a passing off action taken out by John Frieda, which has been settled.

With the successful completion of the land disposal and legal case mentioned above, Roger Lane-Smith, who served as non-executive Chairman since December 1999, resigned from the Board to concentrate on his other business activities. The Board now comprises myself as executive Chairman, with Ms Carney and Mr O'Shea as non-executive directors. Both Ms Carney and myself were appointed to the Board in November 1999, and Mr O'Shea was appointed to the Board following the resignation of Mr Lane-Smith in May this year.

Your Board's strategy remains as stated in the open offer prospectus dated 15 February 2000. This strategy had been intended to involve entry into e-commerce. However, as shareholders will be aware, this sector has proved to be unattractive, and the Board decided to seek alternative opportunities which will benefit all Creightons' shareholders, whilst using every endeavour to secure the broad objective within an acceptable timeframe. Consequently, although this process is taking longer than was originally intended, the Board believes that the best shareholder value can be obtained in the short term by developing the Toiletries business along the above lines.

Financial results

Sales in the financial year were £4,404,000 (2000: £5,214,000). Operating loss this year was significantly reduced at £217,000 (2000: £1,666,000), a reduction of £1.45 million and losses before tax were improved at £99,000 (2000: £1,825,000), a reduction of £1.73 million. Loss per share was 0.19 p (2000: 8.5p)

The group's net asset position did not change significantly during the course of the financial year, despite the disposal of part of the Company's land holding. Net assets at 31 March 2001 were £1,569,000 compared to net assets at 31 March 2000 of £1,668,000.

Current year developments

During the current financial year the manufacturing business has been managed on a day to day basis by Mr Johnson, who is working for the Company under contract.

The Group continues to operate within its bank facilities, having applied the proceeds of the land disposal to reduce total bank borrowing. The Board believes that the volatility in our markets of the recent years is now past its worst and we look forward to more stable financial prospects over the next few months.

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

William McIlroy
Chairman

29 August 2001

Directors' report

The directors submit their report and the audited financial statements for the year ended 31 March 2001.

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 referred to in the Chairman's statement on page 5.

Financial

The loss for the year is shown in the attached profit and loss account. The directors do not recommend the payment of a dividend *(2000: 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:

Roger Lane-Smith (non-executive)	(resigned 9 May 2001)
William E Hamilton	(resigned 13 September 2000)
William O McIlroy (non-executive)	(appointed Chairman 17 May 2001)
Mary Carney (non-executive)	
Nicholas O'Shea (non-executive)	(appointed 17 May 2001)

The director retiring by rotation is Mary Carney. Ms Carney is a freelance tax consultant and a former senior tax partner with a leading firm of Chartered Accountants. Ms Carney is also a member of the Institute of Taxation, and is a former tax inspector.

As required by the company's articles, Nicholas O'Shea is submitting himself for re-election to the Board. Mr O'Shea is a Chartered Management Accountant, and has been the company secretary since 1998. Mr O'Shea, a chemistry graduate, has extensive experience in the toiletries and FMCG sectors, including senior financial management positions with Procter & Gamble and Scott Paper. He is also currently the finance director of a private company.

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 2001			*1 April 2000*		
	1p Ordinary Shares			*1p Ordinary Shares*		
	Beneficial	*Options*	*Trustee*	*Beneficial*	*Options*	*Trustee*
WO McIlroy	10,800,000**	—	—	10,800,000**	—	—
WE Hamilton	*	*	*	*	*	*

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 are owned by Oratorio Developments Ltd, of which Mr McIlroy is a director and controlling shareholder, and 50,000 are owned by Mr McIlroy personally.

Mr McIlroy purchased 200,000 shares on 6 August, 2001.

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

Substantial interests

At 28 August 2001, the following substantial interests, being 3% or more of the ordinary shares in issue, had been notified to the company:

Oratorio Developments Ltd *(incl Mr WO McIlroy)*	11,000,000	21.28%
Jupiter Asset Management	4,825,000	9.33%
Friends Provident Stewardship Investment Trust	3,983,022	7.71%
Mr B Dale	2,451,740	4.74%
Skandia Life Assurance *(Jupiter Asset Management)*	2,045,000	3.96%
Singer & Friedlander Talent Trust	1,854,940	3.59%

Corporate governance

In June 1998, the London 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 of directors have complied throughout the year with the Combined Code subject to the following:-

- Mr Lane-Smith's appointment as a non-executive director was not for a specific term. Mr McIlroy (an executive director), Ms Carney (a non-executive director) and Mr O'Shea (a non-executive director) have appointments for an initial fixed term of one year, subsequently terminable immediately by either side;
- 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 company has not created a nominations committee.
- There are only two non-executive directors.
- There is no formal training for executive directors.
- The Chairman holds the only executive directorship, making him effectively the chief executive.

The directors consider that the company is not sufficiently large to warrant the need for certain requirements of the Combined Code.

Internal controls

The audit committee is composed of Mary Carney and Nicholas O'Shea.

The remuneration committee is composed of Mary Carney and Nicholas O'Shea.

Bearing in mind the decision taken at the EGM in March 2000 to exit the toiletries business, 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 develop a formal risk management policy, since it is hoped that the business will have been disposed of by the time this 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. However, the Board is continuously reviewing the risks inherent in the company's business, with the aim of protecting the interests of shareholders.

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.

The Board continues to monitor this situation as it considers its options.

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 consider on a regular basis the comparison between actual, budget, and prior year financial performance. The executive director reports regularly 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.

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.

Directors' remuneration

The executive Chairman, 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 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 was for an initial 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.

Mr O'Shea has a letter dated and countersigned by him on 5 July 2001, with an effective date of 17 May 2001,the terms of which are also identical to those for Mr McIlroy, save that a director's fee of £4,000 per annum is payable by the company to the employer of Mr O'Shea (Veltameadow Ltd) in respect of the services provided by Mr O'Shea under the letter of appointment. This letter also reconfirms his appointment as company secretary, and requires certain services in respect of that office to be provided to the company by Mr O'Shea's employer, Veltameadow Ltd, for which the company pays Veltameadow Ltd on a time recorded basis.

Emoluments paid to the directors in the year comprised:

	Salaries/ Fees £000s	*Total 2001 £000s*	*Total 2000 £000s*	*Pension 2001 £000s*	*Pension 2000 £000s*
B Dale			190		
WE Hamilton			205		10
P Somers			149		10
M Gubbins			88		6
R Lane-Smith	12	12	12		
WO McIlroy	0	0	0		
M Carney	12	12	4		
Total	**24**	**24**	**648**	**0**	**26**

Charitable donations

No donations were made during the year for charitable purposes.

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 2001 was 77 days (2000: 70 days).

Auditors

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

By order of the Board

Nicholas O'Shea
Company Secretary

29 August 2001

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 talking 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 of Creightons plc for the year ended 31 March 2001, which are set out on pages 13 to 25. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibility for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 1985. 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 corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 to form an opinion on the effectiveness of the company'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. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 of the group as at 31 March 2001 and of the results 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
London

Chantrey Vellacott DFK

29 August 2001

Consolidated profit and loss account

For the year ended 31 March 2001

	Note	2001 £000	2001 £000	2000 £000	2000 £000
Turnover	2		4,404		5,214
Cost of sales		(3,092)		(4,134)	
Exceptional cost of sales	6	—		(273)	
Total cost of sales			(3,092)		(4,407)
Gross profit			1,312		807
Operating expenses		(1,390)		(2,146)	
Other operating income		15		—	
Exceptional operating costs	6	(154)		(327)	
Total operating expenses			(1,529)		(2,473)
Operating loss	3		(217)		(1,666)
Exceptional income	6		263		—
Net interest payable	7		(145)		(159)
Loss on ordinary activities before taxation			(99)		(1,825)
Tax on loss on ordinary activities	8		—		—
Loss on ordinary activities after taxation			(99)		(1,825)
Retained loss for the year	16		(99)		(1,825)
Loss per share	9		(0.19p)		(8.5p)
Loss per share before exceptional items			(0.40p)		(5.7p)
Profit/(loss) per share on exceptional items			0.21p		(2.8p)
Diluted loss per share	9		(0.19p)		(8.5p)

The turnover and operating loss arose from continuing operations.

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

There is no difference between the results shown above and their historical cost equivalents.

The notes on pages 17 to 25 form an integral part of these financial statements.

Consolidated balance sheet

At 31 March 2001

	Note	2001 £000	2001 £000	2000 £000	2000 £000
Fixed assets					
Tangible assets	10		2,091		3,329
Current assets					
Stocks	12	579		806	
Debtors	13	2,036		943	
		2,615		1,749	
Creditors: amounts falling due within One year	14	(3,117)		(2,959)	
Net current liabilities			(502)		(1,210)
Total assets less current liabilities			1,589		2,119
Creditors: amounts falling due after more than one year	14		(20)		(451)
Net assets			1,569		1,668
Capital and reserves					
Called up share capital	15		517		4,294
Share premium account	16		1,185		1,185
Capital redemption reserve	16		18		18
Capital reserve	16		7		7
Special reserve	16		13		13
Profit and loss account	16		(171)		(3,849)
Equity shareholders' funds			1,569		1,668

The notes on pages 17 to 25 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 August 2001 and were signed on its behalf by:

Nicholas O'Shea

Director

Company balance sheet

at 31 March 2001

	Note	2001 £000	2001 £000	2000 £000	2000 £000
Fixed assets					
Tangible assets	10		2,091		3,329
Investments			35		—
			2,126		3,329
Current assets					
Stocks	12	579		806	
Debtors	13	2,036		943	
		2,615		1,749	
Creditors: amounts falling due within one year	14	(3,152)		(2,959)	
Net current liabilities			(537)		(1,210)
Total assets less current liabilities			1,589		2,119
Creditors: amounts falling due after more than one year	14		(20)		(451)
Net assets			1,569		1,668
Capital and reserves					
Called up share capital	15		517		4,294
Share premium account	16		1,185		1,185
Capital redemption reserve	16		18		18
Special reserve	16		1,441		1,441
Profit and loss account	16		(1,592)		(5,270)
Equity shareholders' funds			1,569		1,668

The notes on pages 17 to 25 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 29 August 2001 and signed on its behalf by:

Nicholas O'Shea

Director

Consolidated cash flow statement

For the year ended 31 March 2001

	Note	*2001* *£000*	*2000* *£000*
Cash flow from operating activities	20	41	(845)
Returns on investments and servicing of finance	21	(145)	(159)
Taxation	21	—	—
Capital expenditure and financial investments	21	62	(135)
Cash outflow before management of liquid resources and financing		(42)	(1,139)
Financing	21	(190)	1,091
Decrease in cash in the period		(232)	(48)
Reconciliation of net cash flow to movement in net debt	22		
Decrease in cash in the period		(232)	(48)
Cash outflow from repayment of debt		190	217
		(42)	169
New finance leases		(15)	(55)
Movement in net debt in the period		(57)	114
Net debt at the start of the period		(1,877)	(1,991)
Net debt at the end of the period		(1,934)	(1,877)

The notes on pages 17 to 25 form an integral part of these financial statements.

Notes to financial statements for the year ended 31 March 2001

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. The group meets its day to day working capital requirements through an overdraft facility which is due for renewal on 30 May 2002.

On the basis of the current strategy, the directors have prepared working capital projections for a period ending 12 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 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 by equal instalments over its estimated useful life. Any negative goodwill arising in respect of acquisitions after 5 April 1997, is 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 and associated undertakings are stated at cost less amounts written off. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

As provided by Section 230 of the Companies Act 1985, the company is exempt from the requirement to present its own profit and loss account.

Fixed assets

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

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

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

Notes to financial statements for the year ended 31 March 2001

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:

	2001	*2000*
	£000	*£000*
United Kingdom	3,910	4,922
Europe	49	191
North America	89	—
Asia	245	101
Australasia	111	—
	4,404	5,214

3. Operating loss

Operating loss is stated after charging:

	2001	*2000*
	£000	*£000*
Auditor's remuneration – audit	19	22
– non audit	32	25
Depreciation	293	358
Operating lease rentals – plant and machinery	9	24
Operating lease rentals – land and buildings	—	75

Notes to financial statements for the year ended 31 March 2001

4. Staff costs (including directors' remuneration)

Average number of employees

	2001 No	2000 No
Management	7	14
Administration	11	13
Production	47	61
	65	88

	2001 £000	2000 £000
Wages and salaries	992	2,124
Social security costs	92	142
Pension contributions	22	50
	1,106	2,316

5. Directors' remuneration

	2001 £000	2000 £000
Fees	—	322
Salaries	24	56
Pension contributions	—	26
Compensation for loss of office	—	270
	24	674

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

6. Exceptional items

	2001 £000	2000 £000
Exceptional income		
Profit on disposal of land and buildings net of shareholder circular costs and costs of moving production facilities	263	—
Exceptional costs		
Cost of sales		
Compensation for loss of office/redundancy	—	88
Obsolete product range provision	—	185
	—	273
Operating costs		
Compensation for loss of office/redundancy	—	327
Legal fees in respect of passing-off action	154	—
	154	327

Notes to financial statements for the year ended 31 March 2001

7. Interest payable

	2001 *£000*	*2000* *£000*
On bank loans, overdrafts and other loans wholly repayable within five years	145	144
On hire purchase contracts	5	15
	150	159
Bank interest receivable	—	—
Other interest receivable	(5)	—
	145	159

8. Tax on loss on ordinary activities

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

9. Loss per share

The calculation of the undiluted loss per share figure has been based on the loss after taxation of £99,000 (2000: £1,825,000) and 51,691,387 (2000: 21,441,184) ordinary shares, the weighted average number of shares in issue during the period. The calculation of the diluted loss per share is based on the basic loss per share, adjusted for the issue of shares on the assumed exercise of all dilutive options.

10. Tangible fixed assets

Group and company

	Freehold land and buildings £000	*Plant equipment fixtures and vehicles £000*	*Total £000*
Cost or valuation			
At 1 April 2000	2,217	4,796	7,013
Additions	—	38	38
Disposals	(886)	(437)	(1,323)
At 31 March 2001	1,331	4,397	5,728
Depreciation			
At 1 April 2000	103	3,581	3,684
Charge for year	26	267	293
Disposals	(51)	(289)	(340)
At 31 March 2001	78	3,559	3,637
Net book value			
At 31 March 2001	1,253	838	2,091
At 31 March 2000	2,114	1,215	3,329

The company disposed of approximately 40 per cent. of its freehold land and buildings during the year. The date of completion was 2 April 2001, shareholder approval was obtained at an EGM on 2 February 2001 and all the conditions for the sale were met before the year end. Accordingly the disposal has been recognised in the current year.

Notes to financial statements for the year ended 31 March 2001

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 £56,000 (2000: £211,000) on which £9,300 depreciation has been charged during the year (2000: £47,000).

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

	Group *£000*	*Company* *£000*
Cost		
At 1 April 2000	3,050	3,284
Disposal	(1,285)	(1,285)
At 31 March 2001	1,765	1,999
Depreciation based on cost		
At 1 April 2000	689	743
Charge for year	26	26
Disposal	(51)	(51)
At 31 March 2001	664	718
Net historical book value		
At 31 March 2001	1,101	1,281
At 31 March 2000	2,361	2,541

Freehold land which is included above and amounts to £496,000 (2000: £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) and Creightons Naturally Ltd. As at 31 March 2001 these were all dormant subsidiary undertakings which are registered in England and Wales.

12. Stocks

Group and company

	2001 *£000*	*2000* *£000*
Raw materials and containers	415	384
Bulk preparation	92	81
Finished goods	72	341
	579	806

13. Debtors

Group and company

	2001 *£000*	*2000* *£000*
Trade debtors	764	943
Prepayments and accrued income	1,272	—
	2,036	943

All debtors fall due within one year. Included in prepayments and accrued income is £1,245,366 in respect of the net disposal proceeds of the freehold property referred to in note 10.

Notes to financial statements for the year ended 31 March 2001

14. Creditors

Group

	2001		2000	
	Due within one year £000	*Due after one year £000*	*Due within one year £000*	*Due after one year £000*
Bank overdraft	1,489	—	1,257	—
Other loans	390		120	390
Bank loans	20		10	15
Trade creditors	642	—	740	—
HP contracts	15	20	39	46
Other creditors including tax and social security	129	—	108	—
Accruals and deferred income	432	—	685	—
	3,117	20	2,959	451

Company

	2001		2000	
	Due within one year £000	*Due after one year £000*	*Due within one year £000*	*Due after one year £000*
Bank overdraft	1,489	—	1,257	—
Other loans	390	—	120	390
Bank loans	20	—	10	15
Trade creditors	642	—	740	—
HP contracts	15	20	39	46
Other creditors including tax and social security	129	—	108	—
Amounts due from subsidiary companies	35	—	—	—
Accruals and deferred income	432	—	685	—
	3,152	20	2,959	451

The bank loan and other loan were repaid in April 2001.

Obligations under HP contracts fall due as follows:

	2001 £000	*2000 £000*
Amounts payable within one year	15	39
Amounts payable in two to five years	20	46
	35	85

15. Called up share capital

	Authorised			
	2001		*2000*	
	£000	*No*	*£000*	*No*
Ordinary shares 1p each	1,223	122,346,000	1,223	122,346,000
Deferred shares of 1p each	—	—	3,777	377,654,000
	1,223	122,346,000	5,000	500,000,000

Notes to financial statements for the year ended 31 March 2001

	Allotted, called up and fully paid			
	2001		*2000*	
	£	*No*	*£*	*No*
Ordinary shares 1p each	517	51,691,387	517	51,691,387
Deferred shares of 1p each	—	—	3,777	377,653,937
	517	51,691,387	4,294	429,345,324

Details of share options outstanding are given in note 19.

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 20 ordinary shares of 1p each, 19 shares of 1p each were redesignated as deferred shares. The deferred shares were cancelled by a court order on 5 April 2000.

16. Reserves

Group

	Share premium account £000	*Capital redemption reserve £000*	*Capital reserve £000*	*Special reserve £000*	*Profit and loss account £000*
At 1 April 2000	1,185	18	7	13	(3,849)
Retained loss for the year	—	—	—	—	(99)
Cancellation of shares	—	—	—	—	3,777
At 31 March 2001	1,185	18	7	13	(171)

Company

	Share premium account £000	*Capital redemption reserve £000*	*Capital reserve £000*	*Special reserve £000*	*Profit and loss account £000*
At 1 April 2000	1,185	18	—	1,441	(5,270)
Retained loss for the year	—	—	—	—	(99)
Cancellation of shares	—	—	—	—	3,777
At 31 March 2001	1,185	18	—	1,441	(1,592)

The cumulative goodwill written off amounts to £2,575,000 (2000: £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 to 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.

Notes to financial statements for the year ended 31 March 2001

17. Reconciliation of movements in shareholders' funds

	Group		*Company*	
	2001	*2000*	*2001*	*2000*
	£000	*£000*	*£000*	*£00*
Loss for the financial year	(99)	(1,825)	(99)	(1,825)
Net proceeds from the issue of shares	—	1,308	—	1,308
Net reduction in shareholders' funds	(99)	(517)	(99)	(517)
Opening shareholders' funds	1,668	2,185	1,668	2,185
Closing shareholders' funds	1,569	1,668	1,569	1,668

18. 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 £22,000 (2000: £50,000). There were no contributions prepaid or outstanding at the year end (2000: £Nil).

19. 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 staff during previous years, there are now no share options outstanding under the current scheme.

At 31 March 2001 the following options were outstanding under a previous scheme:

Date of grant of option	*Number of ordinary shares*	*Period of exercise*	*Price*
1986 approved scheme			
May 1992	2,500	May 1995 to May 2002	235p

20. Reconciliation of operating loss to operating cash flows

	2001	*2000*
	£000	*£000*
Operating loss	(217)	(1,666)
Depreciation	293	358
Loss on disposal of fixed assets	63	25
Decrease in stocks	227	240
Decrease/(increase) in debtors	51	(30)
(Decrease)/increase in creditors	(376)	228
Net cash inflow/(outflow)from operating activities	41	(845)

Notes to financial statements for the year ended 31 March 2001

21. Gross cash flows

	Group 2001		Company 2000	
	£000	£000	£000	£00
Returns on investments and servicing of finance				
Interest received	5		—	
Interest paid	(145)		(144)	
Interest element of HP payments	(5)		(15)	
Net cash outflow from returns and servicing of finance		(145)		(159)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(22)		(156)	
Sale of tangible fixed assets	84		21	
Net cash inflow/(outflow) for capital expenditure and financial investments		62		(135)
Financing				
Repayment of amounts borrowed	(125)		(125)	
Capital element of HP payments	(65)		(92)	
Issue of share capital	—		1,308	
Net cash (outflow)/inflow from financing		(190)		1,091

22. Analysis of changes in net debt

	At 31 March 2000 £000	*Cash flow £000*	*Other movements £000*	*At 31 March 2001 £000*
Cash at bank and in hand	—	—	—	—
Overdrafts	(1,257)	(232)	—	(1,489)
	(1,257)	(232)	—	(1,489)
Debt due after one year	(405)	405	—	—
Debt due within one year	(130)	(280)	—	(410)
HP contracts	(85)	65	(15)	(35)
	(620)	190	(15)	(445)
	(1,877)	(42)	(15)	(1,934