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CREIGHTONS Plc

Report and Financial Statements

31 March 2006

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COMPANIES HOUSE 10/10/2006

Contents

Directors, advisers and bankers

Directors	William O McIlroy *(Executive Chairman)* Bernard JM Johnson *(Managing Director)* William T Glencross *(Non-executive Director)* Mary T Carney *(Non-executive Director)* Nicholas DJ O'Shea *(Non-executive Director)*
Company Secretary	Nicholas O'Shea, BSc ACMA 16 Lincoln Road Dorking Surrey RH4 1TD
Registered office	1210 Lincoln Road Peterborough PE4 6ND Registered in England & Wales No 1227964
Auditors	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF
Financial Advisers	City Financial Associates Ltd 6 Laurence Pountney Hill London EC4R 0BL
Solicitors	Coole & Haddock 5 The Steyne Worthing West Sussex BN11 3DT
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Bankers	HSBC Bank Plc Cathedral Square Peterborough PE1 1XL

Notice of meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Potter & Moore Innovations Ltd, 1210 Lincoln Road, Peterborough, PE4 6ND on 13 December 2006 at 12:00 noon 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 2006.

2. To receive and consider the Directors' Remuneration Report for the year ended 31 March 2006.

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

4. To reappoint Nicholas O'Shea retiring by rotation under the provisions of Article 103 of the Articles of Association, as a director of the Company.

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

6. As an ordinary resolution:-
   "That, in terms of Article 20 of the Company's Articles of Association, the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) of the Company up to an aggregate nominal value of £180,919.85 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 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."

7. As a special resolution:-
   "That, without prejudice to any existing powers in terms of Article 21 of the Company's Articles of Association, the directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred upon them by section 80 of the said Act by resolution 4 above as if Section 89(l) of the said Act did not apply to any such allotment provided that this power shall be limited:-

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

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £27,137.97;

Notice of meeting

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

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

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

   (b) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 2,713,797 *Ordinary Shares (representing 5% of the Company's issued share capital as at 31 March 2006); 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.

On behalf of the Board

Bernard Johnson
Managing Director
1210 Lincoln Road
Peterborough PE4 6ND
26 September 2006

Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. Instruments appointing proxies must be lodged with the Company's Registrars, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours prior to the commencement of the meeting (along with any power of attorney or other authority under which the proxy is executed, or a notarially certified copy thereof). The completion of a form of proxy will not prevent a member who wishes to do so from attending and voting in person.
2. In order to attend and vote at this meeting (and for the purpose of enabling the Company to determine the number of votes they may cast), members must be entered on the Company's Register of Members at 10am on 11 December 2006 (the "Specified Time"). Should the meeting be adjourned to a time not more than 48 hours after the Specified Time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled members must be entered on the Company's Register of Members at a time which is not more than 48 hours before the time fixed for the adjourned meeting, or if the Company gives notice of the adjourned meeting at the time specified in that notice.
3. The Register of Directors' Share Interest required under section 325 of the Companies Act 1985 will be available for inspection at the Company's registered office address during normal working hours from the date of this notice to 11 December 2006 inclusive and for at least 15 minutes prior to and during the Annual General Meeting.

Chairman's statement

Review of the year

This year has seen several successes for the group, including consolidating our position as a profitable business during a difficult trading period, reducing our outside debt, and increasing sales by more than 10% over last year.

As I reported at the half year, the first half saw the completion of the disposal of Unit 6, Water Lane Trading Estate in Storrington and the sale of the remaining part of the former Storrington site, Units 1-5a. All production has now been very successfully consolidated onto the Peterborough site, with retention of all significant customers who had previously been sourced from Storrington. Our customer service levels have remained consistently high, and there is no doubt that there will be improved efficiencies after the bedding in of the transferred products.

We have continued to invest in and develop our ranges of branded products, and believe this investment is already beginning to pay-off in the increase in sales and profits for our branded businesses, as well as enabling us to be extremely competitive in formulating new and aspirational products for our private label customers.

Financial Results

Consolidated Group sales this year were £12,568,000 (2005: £11,354,000). The 10% improvement over last year's result has been due in particular,to increased sales to our private label customers. Sales and gross profit were both higher in the second half due to the seasonal contract business at Christmas. As in previous years, the Group has continued to strive for low cost producer status, without compromising on product or service level quality. We have also continued to make further investment in marketing, sales and technical R&D support.

Operating profit before tax and interest for the year was £926,000 (2005: loss of £202,000). This year's result includes the net profit from the closure and disposal of the Storrington operation of £442, 000, whereas the prior year's result contained a significant provision for restructuring (costs of £431,000). Significant overhead and operational cost savings are now flowing through to profits from the closure of the Storrington site, although this year only benefited partially from this.

Financing costs are significantly reduced due to the lower borrowings levels, the proceeds from the site disposal and the improved profitability of the business enabling the remaining related party loan and much of the bank debt to be repaid and providing the group with a significant amount of the working capital required for the Christmas stock build.

Profit after tax was £823,000 (2005: loss of £363,000), with basic earnings per share from continuing operations of 1.5p (2005: loss of 0.67p). At this stage, the directors do not believe a dividend would be in the best interests of the Company since these earnings have been applied to reduce the Group's borrowings and consolidate the financial position of the Group.

Current year developments

The Group continues to develop and strengthen its branded portfolio, and a number of new brands have been launched in recent months into the premium and mass markets.

As we announced on 30th May 2006, your board has decided to appoint Mr Glencross as a non-executive director with effect from 31st August, following retirement from his present executive position on the Company's main board, and from the board of Potter & Moore Innovations Limited, the Company's wholly-owned subsidiary, where he has served as Managing Director since 14th July 2005.

Chairman's statement

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

I would like to take this opportunity to thank each and every one of the Group's employees for the hard work and effort they have put in over the past year. I also appreciate the contribution of our customers and suppliers and we look forward to developing our relationships as we build our business.

William McIlroy
Chairman

26 July 2006

Corporate governance report

Compliance

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

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

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

- The Combined Code requires there to be a minimum of three non-executive directors. Until the appointment of William Glencross as a non-executive director effective 1 September 2006, the Board included only two non-executive directors.
- The Audit Committee and the Remunerations Committee comprise the independent non-executive directors in office at the time.
- During the year the Board as a whole has undertaken the role of the Nominations Committee.
- No formal training programme is in place for non-executive directors.
- The role of the Chairman and Chief Executive is combined.

The Board

Details of the all directors are set out below.

William McIlroy	Executive Chairman and Chief Executive
Bernard Johnson	Managing Director
Nick O'Shea	Company Secretary and Independent Non-executive Director
Mary Carney	Senior Independent Non-executive Director
William Glencross	Executive Director (Appointed 1 July 2005 until 31 August 2006) Non-executive Director (from 31 August 2006)

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

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

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

The directors have met as a full Board on 6 occasions throughout the year. There have also been two occasions where specific resolutions have been passed by telephone board meetings. The table below shows the attendance of directors at board meeting.

Corporate governance report

	Attended
William McIlroy	4
Bernard Johnson	6
Nick O'Shea	5
Mary Carney	2
William Glencross	3

Procedures are in place to enable the directors to take appropriate independent professional advice at the Company's expense if that is necessary for the furtherance of their duties. All directors have access to the advice and services of the Company Secretary.
The Articles of Association require one third of the Board to retire by rotation each year and for those directors appointed during the year to stand for re-election at the following Annual General Meeting.

Nomination Committee

The Board as a whole has undertaken the duties of the Nomination Committee. During the year William Glencross was appointed as an executive director. This appointment was an internal appointment and the Nomination Committee made the appointment on the basis of his excellent customer relations and knowledge of the industry. This knowledge and expertise was an important factor when considering him as an non-executive director following his decision to retire from full time employment on 31 August 2006.

Remuneration Committee

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

Remuneration Report

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

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

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

Full details of directors remuneration and share options are noted in the Directors Remuneration Report on page 19. Details of the directors shareholdings are shown in the Directors report on page 14.

Accountability and Audit

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

Corporate governance report

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

The key procedures designed to provide effective internal controls are:

- A clearly defined organisational structure with the appropriate delegation of authority to operational management.
- A comprehensive planning and budgeting process which requires Chief executive approval.
- Management information systems to monitor financial and other operating statistics.
- Aspects of internal control are regularly reviewed and where circumstances dictate new procedures are instigated.

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

The board has reviewed the effectiveness of the internal control in operation and this process will continue.

Audit Committee

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

Shareholder Relations

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

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

Directors' report

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report for the year ended 31 March 2006.

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 and future developments are referred to in the Chairman's statement on page 5.

The principal subsidiary undertakings affecting the results of the group in the year are detailed in note 15 to the financial statements.

Business Review

History

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

Operating Environment

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

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

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

Regulation

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

Objective

The principle objective of the business is to supply high quality toiletry products to its customers, meeting high levels of product quality and consumer satisfaction. Clearly, a critical goal for the Board over the past few years

Directors' report

has been to return the Group to sustainable profitability, which it believes it has now achieved. However, the main private label manufacturing business operates in a market which is comparatively low-margin, and susceptible to changes in consumer purchasing, loss of major contract manufacturing contracts from private label customers, and in particular at present, increases in primary raw material prices, especially for oil-based products.

Strategy

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

Recent Developments

By March 2006, the Group had closed and disposed of the majority of its operations in Storrington, the process of transferring the final elements of Creightons' manufacturing to the Potter & Moore Innovations factory in Peterborough will be complete by November 2006. Part of the Storrington site originally in the Company's ownership was disposed of several years ago; the remaining manufacturing and office facilities were identified as surplus to requirement at the end of the last financial year and provisions for relocation, disposal and redundancy costs of £431,000 were included in the 2005 accounts.

This was mentioned in the Chairman's Statement in July 2005, together with the fact that there was likely to be a major gain on disposal once the sale of the remainder of the Storrington site was completed. This occurred in the first half of the 2005/06 financial year, and a gain of £442,000 is included in the Group's results to 31 March 2006.

The funds generated by the disposal were used to reduce borrowing, including discharging the debt owed to Whiskin Ltd, a company owned and controlled by the Chairman, Mr McIlroy.

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

Current Operations

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

Directors' report

Potter & Moore Innovations is continuing to concentrate on developing exciting new ranges of toiletries, hair-care, and body-care products and more recently hand-care products with their private label contract manufacture clients. To this end, significant investment in account management and R&D personnel has been undertaken during the year, all of which has been expensed to the Consolidated Income Statement, although the product ranges have either only recently become (in the 2006/07 financial year) or are still to be made available.

Creightons is also developing new ranges of branded toiletries and is looking to extend those already successfully launched, and again is investing in sales, marketing and R&D personnel and development costs, all of which have been expensed to the Consolidated Income Statement, although the product ranges have either only recently become or are still to be available in the market place.

Management and monitoring of performance

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

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

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

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

Directors' report

Financial Key Performance Indicators

	2005/06	*2004/05*	*Change*
Sales	£12,568,000	£11,354,000	Increase of £1,214,000 (10.7%)
Gross Margin as a % of Revenue	38.8%	38.0%	Increase of 0.8%
Operating profit excluding one off costs	£533,000	£229,000	Increase of £304,000
Operating Profit – as a % of Revenue	4.2%	2.0%	Improvement of 2.2%
Net Borrowing	£263,000	£2,165,000	Reduction of £1,902,000

Risks

The board regularly monitors exposure to key risks, such as financial ones relating to production efficiencies, cash position, sales performance related to contract and private label manufactured products and branded lines.

It also monitors those that are not directly or specifically financial, but capable of having a major impact on the business's financial performance if there is any failure. These include product contamination and manufacture outside specification, maintenance of satisfactory levels of customer and consumer service and satisfaction, or failure to meet environmental protection standards or any of the areas of regulation mentioned above.

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

Capital structure, cash flow and Liquidity

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

Financial

The profit for the year is shown in the attached Consolidated Income Statement. The directors do not recommend the payment of a dividend *(2005: nil)*.

Research and development

The group has a policy of continual product development. The costs associated with the development of ranges where the group can identify probable future economic benefit are treated as intangible assets and are amortised over the period over which those economic benefits are expected to arise. This is a change from previously adopted policy of writing off such expenditure in the year of acquisition and arises from the adoption of International Accounting Standard 38 Intangible Assets.

Directors

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

William O McIlroy	(Executive Chairman and Chief Executive)
Mary T Carney	(Non-executive)
Nicholas DJ O'Shea	(Non-executive)
Bernard JM Johnson	(Managing Director)
William T Glencross	(Executive director from 1 July 2005 until 31 August 2006 then Non-executive director)

The directors retiring by rotation are Mary Carney and Nicholas O'Shea

Directors' report

Directors' interests

The directors who held office at 31 March 2006 had the following beneficial interests in the shares of the company: –

	31 March 2006		*1 April 2005 or subsequent date of appointment*	
	1p ordinary shares		*1p ordinary shares*	
	Shares	*Options*	*Shares*	*Options*
Mr McIlroy	13,916,000	1,628,275	13,916,000	1,628,275
Mr Johnson	3,344,569	1,628,275	3,344,569	1,628,275
Mr O'Shea	31,000	–	31,000	–
Mr Glencross	–	300,000	–	300,000

Mr McIlroy's holding noted above includes 13,450,000 (2005: 13,450,000) shares held in the name of Oratorio Developments Ltd, a private company of which Mr McIlroy is a director and controlling shareholder.

The following changes took place between the 31 March 2006 and 11 September 2006:

- Oratorio Developments Ltd, a private company of which Mr McIlroy is a director and controlling shareholder, acquired a further 500,000 1p ordinary shares on 10 May 2006.

The share options detailed above were granted on 9 January 2004 to Messrs McIlroy, Johnson and Glencross, the executive directors at the time, in accordance with the rules of the existing share option scheme. The company does not make grants of share options to non-executive directors. See note 26 for further details.

Substantial interests

At 25 September 2006, the following substantial interests, being 3% or more of the ordinary shares in issue, had been notified to the Company:

Mr WO McIlroy (including Oratorio Developments Ltd)	14,416,000	26.56%
Jupiter Asset Management	4,825,000	8.89%
Mr BJM Johnson	3,344,569	6.16%
Mr B Dale	2,451,740	4.52%
Mr D Abell	2,500,000	4.61%

Going concern

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

Charitable and political donations

During the year the group made charitable donations of £2,900 (2005 – £300), principally to local charities serving the communities in which the group operates.

No donations were made to political parties (2005 – nil)

Directors' report

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 2006 was 41 days (2005: 42 days).

Auditors

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

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are not aware; and

- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

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

On behalf of the Board

Bernard Johnson
Managing Director
26 September 2006

1210 Lincoln Road
Peterborough PE4 6ND

Directors' remuneration report

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

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

In the opinion of the committee, the company has complied with Section A of the Combined Code, other than the composition of the Committee, which due to the size and composition of the Board of directors, comprises the two non-executive directors. In forming the remuneration policy, the committee has given full consideration to Section B of the Combined Code.

Unaudited information

Remuneration Committee

The board established a Remuneration Committee a number of years ago to determine the remuneration of directors of the company. The members of the committee for the year were the two non-executive directors, Ms Carney (Chairman) and Mr O'Shea. In determining the directors' remuneration the committee consulted the executive chairman, Mr McIlroy.

Policy on directors' remuneration

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

Salary and Benefits

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

Directors' performance bonus

Both Mr McIlroy's and Mr Johnson's executive directors' contracts provide for performance bonuses should the group achieve profitability, and Mr McIlroy's also provides for a bonus should a successful sale of the group's toiletries business be achieved. The profit criteria were met in 2006, and as a consequence, provision for payment of the profit related performance bonus has been made in the accounts, and will be made as required by the contracts within one month of the approval and publication of these accounts.

The contract for Mr McIlroy's services as a director provides for a performance bonus payment to Mr McIlroy's employer (Lesmac Securities Ltd) should the company achieve profitability, on a scale of 12½% of the pre-tax audited profits up to £50,000, 7½% of pre-tax audited profits between £50,001 and £100,000 and 5% of pre-tax audited profits in excess of £100,000. The contract also provides for a success bonus payment to Mr McIlroy's employer should the group dispose of the toiletries business. This bonus is 10% of the proceeds of a complete

Directors' remuneration report

disposal should the sale price exceed £1.5m, or of a partial disposal should the sale price exceed £0.5m and be for not more than 1/3 of the book value of the net assets of the group so disposed.

The contract for Mr Johnson's services as a manager provides for a performance bonus payment to Mr Johnson's employer (DFK International Consulting Group Ltd) should the group achieve profitability, on a scale of 12½% of the pre-tax audited profits up to £50,000, 7½% of pre-tax audited profits between £50,001 and £100,000 and 5% of pre-tax audited profits in excess of £100,000.

Share option scheme

The policy of the company is to grant options to executive directors and other senior managers as an incentive to enhance shareholder value. These options become exercisable at 2.75p (the mid-market price for the company's shares on the day of grant) after 9th January 2007 once the company's mid-market share price has been at least 6.0p for three consecutive days.

Pension arrangements

Mr W Glencross is a member of the group's money purchase personal pension scheme and the Company made a contribution of 10% of his basic salary to that scheme during his services as an executive director. His dependants are eligible for dependants' pension and the payments of a lump sum in the event of death in service.

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

Service contracts

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

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

Directors' remuneration report

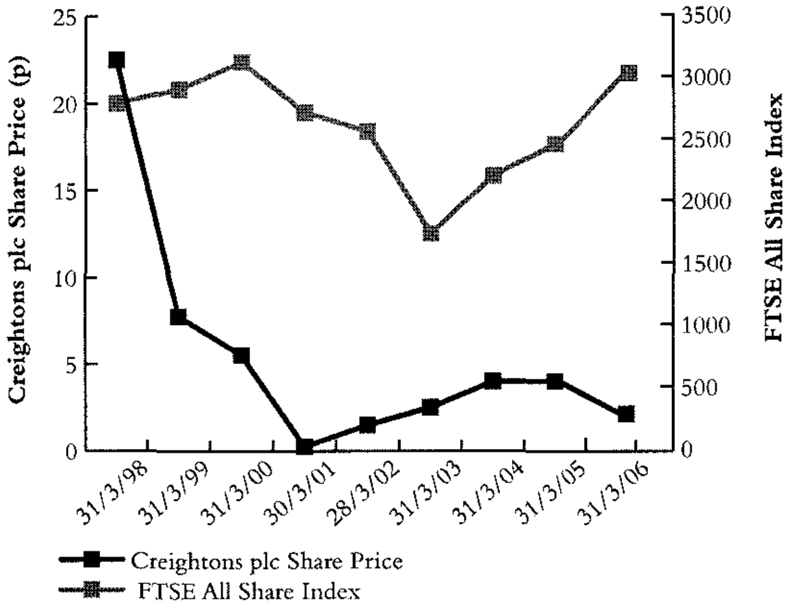
Non-executive directors

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

Performance graph

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

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



The market price at 31 March 2006 was 2.125p

Directors' remuneration report

Audited Information

Directors' emoluments

	Salaries £000s	*Fees (payable to Management Companies) £000s*	*Defined contribution on pension contributions £000s*	*Benefits £000s*	*Bonus (payable to management Companies) £000s*	*Total 2006 £000s*	*Total 2005 £000s*
WO McIlroy	–	–	–	–	23	23	–
MT Carney	–	8	–	–	–	8	8
BJM Johnson	10	70	–	–	23	103	81
NDJ O'Shea	–	8	–	–	–	8	9
WT Glencross	53	–	4	1	–	58	–
Total	63	86	4	1	46	200	98

Share options

	At 1 April or subsequent date of appointment	*At 1 April 2006*	*Exercise price*	*Date from which exercisable*	*Expiry Date*
WO McIlroy	1,628,275	1,628,275	2.75p	9 Jan. 2007	8 Jan. 2011
BJM Johnson	1,628,275	1,628,275	2.75p	9 Jan. 2007	8 Jan. 2011
WT Glencross	300,000	300,000	2.75p	9 Jan. 2007	8 Jan. 2011

Pension entitlements

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

WT Glencross – £4,000.

Approval

This report was approved by the Board of Directors on 26 September 2006, and signed on its behalf by

Nicholas O'Shea
Company Secretary
Remuneration Committee

Statement of directors' responsibilities

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

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

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

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

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

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

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

Independent Auditors' Report to the shareholders of Creightons Plc

We have audited the group and parent company financial statements (the "financial statements") of Creightons Plc for the year ended 31 March 2006 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Group Statement of Changes in Shareholders' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

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

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

Independent Auditors' Report to the shareholders of Creightons Plc

Basis of audit opinion

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

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

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the group's affairs as at 31 March 2006 and of its profit for the year then ended; and

- the parent company financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Companies act 1985, of the state of the company's affairs as at 31 March 2006, and

- the financial statements and the part of the Directors' Remuneration Report that is required to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and

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

CHANTREY VELLACOTT DFK LLP

Chartered Accountants
Registered Auditors

LONDON

26 September 2006

Consolidated income statement

for the year ended 31 March 2006

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Revenue	3	**12,568**	11,354
Cost of sales		**(7,686)**	(7,040)
Gross Profit		**4,882**	4,314
Other operating income		**–**	7
Distribution costs		**(299)**	(277)
Administration costs	4	**(4,099)**	(4,246)
Profit on disposal of property	5	**442**	–
Operating profit/(loss)	6	**926**	(202)
Investment revenues	8	**3**	1
Finance costs	9	**(121)**	(162)
Profit/(loss) before tax		**808**	(363)
Tax	10	**15**	–
Profit/(loss) for the period from continuing operations attributable to the equity holders of the parent company		**823**	(363)

Earnings per share from continuing operations

Basic	11	**1.5p**	(0.67)p
Diluted	11	**1.4p**	(0.61)p

Consolidated statement of recognised income and expense

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Net income recognised directly in equity			
Profit /(loss) for the period	25	**823**	(363)
Total recognised income and expense for the period wholly attributable to the equity holders of the parent		**823**	(363)

Consolidated balance sheet
at 31 March 2006

	Note	31 March 2006 £'000	31 March 2005 £'000
Non-current assets			
Goodwill	12	**364**	364
Other intangible assets	13	**84**	3
Property, plant and equipment	14	**336**	1,589
		784	1,956
Current assets			
Inventories	16	**1,805**	2,088
Trade and other receivables	17	**1,328**	1,606
Cash and cash equivalents	18	**77**	1
		3,210	3,695
Total assets		**3,994**	5,651
Current liabilities			
Trade and other payables	19	**1,491**	2,131
Obligations under finance leases	20	**3**	36
Bank overdrafts and loans	21	**340**	1,274
		1,834	3,441
Net current assets		**1,376**	254
Non-current liabilities			
Bank loans	21	**–**	881
Obligations under finance leases	20	**13**	11
Deferred tax	23	**–**	15
		13	907
Total liabilities		**1,847**	4,348
Net assets		**2,147**	1,303
Equity			
Share capital	24	**543**	543
Share premium account	25	**1,229**	1,229
Capital redemption reserve	25	**18**	18
Capital reserve	25	**7**	7
Special reserve	25	**13**	13
Share-based payment reserve	25	**47**	26
Retained earnings	25	**290**	(533)
Total equity available to the holders of the parent company		**2,147**	1,303

These financial statements were approved by the Board of Directors on 26 September 2006 and were signed on its behalf by:

Bernard Johnson
Managing Director

Company balance sheet
at 31 March 2006

	Note	31 March 2006 £'000	31 March 2005 £'000
Non-current assets			
Other intangible assets	13	–	3
Property, plant and equipment	14	–	1,390
Investment in subsidiaries	15	**60**	60
		60	1,453
Current assets			
Inventories	16	–	611
Trade and other receivables	17	**2,103**	1,242
Cash and cash equivalents	18	–	–
		2,103	1.853
Total assets		**2,163**	3,306
Current liabilities			
Trade and other payables	19	**124**	973
Bank overdrafts and loans	21	–	230
		124	1,203
Net current assets		**1,979**	650
Non-current liabilities			
Bank loans	21	–	881
		–	881
Total liabilities		**124**	2,084
Net assets		**2,039**	1,222
Equity			
Share capital	24	**543**	543
Share premium account	25	**1,229**	1,229
Capital redemption reserve	25	**18**	18
Special reserve	25	**1,441**	1,441
Share-based payment reserve	25	**47**	26
Retained earnings	25	**(1,239)**	(2,035)
Total equity available to the holders of the parent company		**2,039**	1,222

These financial statements were approved by the Board of Directors on 26 September 2006 and were signed on its behalf by:

Bernard Johnson
Managing Director

Consolidated cash flow statement

for the year ended 31 March 2006

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Net cash inflow from operating activities	31	**577**	117
Cash flow from investing activities			
Interest received		**3**	1
Proceeds on disposal of property, plant and equipment		**1,596**	10
Purchase of property, plant and equipment		**(168)**	(96)
Expenditure on intangible assets		**(86)**	–
Net cash from/(used in) investing activities		**1,345**	(85)
Cash flow from financing activities			
Repayment of borrowings		**(1,534)**	(258)
Repayment of finance lease obligations		**(47)**	–
New bank loans		**–**	900
New finance lease obligations		**16**	–
Decrease in bank overdrafts		**(281)**	(674)
Net cash used in financing activities		**(1,846)**	(32)
Net increase in cash and cash equivalents		**76**	–
Cash and cash equivalents at start of period		**1**	1
Cash and cash equivalents at end of period		**77**	1

Notes to the financial statements

for the year ended 31 March 2006

1 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 32 to the financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union therefore comply with Article 4 of the EU IAS.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

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

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

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

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of business acquired at the date of acquisition. Goodwill is tested at least annually for impairment and is carried at cost less accumulated impairment losses. No amortisation is charged.

Revenue recognition

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

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

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

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

Leases

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

Notes to the financial statements
for the year ended 31 March 2006

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

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

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

Foreign currencies

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

In preparing the financial statements of individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates ruling at the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit and loss for the period.

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

Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Derivative financial instruments

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

The use of financial derivatives is governed by the group's policy for managing cash flow hedges. Cash flow hedges are classified as such when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with forecast transactions.

For fair value hedges, any gain or loss from measuring the hedging instrument at fair value is recognised in the consolidated income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and similarly recognised against the hedged item in the consolidated income statement.

Notes to the financial statements

for the year ended 31 March 2006

Retirement benefit costs

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

Taxation

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

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

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

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

Property, plant and equipment

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

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

	% per annum
Plant and equipment	10 to 20 (depending on age and condition of equipment when purchased)
Fixtures and fittings	over the term of the lease
Computers	25 – 33
Motor vehicles	20

Assets owned under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

Other intangible assets

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

Notes to the financial statements

for the year ended 31 March 2006

Acquired licences	– over three years
Research and development expenditure	– over two years or the life of the product if shorter

An intangible asset arising from the Group's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Intangible assets are amortised on a straight line basis over their useful lives. Where no intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Trademarks

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

Impairment of assets

At each reporting date, the group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount. Recoverable amount is the higher of the fair value less cost to sell and value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

Bank borrowings

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

Notes to the financial statements

for the year ended 31 March 2006

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortisation cost, using the effective rate method.

Share based payments

The Group has applied the requirements of IFRS2 'Share Based Payment'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of options after 7 November 2002 that were unvested at 1 January 2005.

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

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

Segmental reporting

The Group trades in only one business sector and one geographic region. There is, therefore, no segmental reporting required.

2. Critical accounting judgements

In the process of applying the Group's accounting policies, which are described in note 1, management have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit to which goodwill is allocated. The value in use requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate to calculate the present value. The carrying value of goodwill at the balance sheet date was £364,000. No impairment provision was considered necessary against this carrying value.

3. Business and geographic segments

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

Notes to the financial statements
for the year ended 31 March 2006

4 Restructuring costs

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

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Impairment loss recognised in respect of assets	–	94
Increased cost of working	–	252
Redundancy costs	**49**	85
Total	**49**	431

5 Profit on disposal of property

The profit relates to the profit on the disposal of two freehold sites in Storrington.

6 Operating profit/(loss)

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Cost of inventories recognised as expense	**283**	(551)
Research and development costs	**176**	64
Depreciation of property, plant and equipment	**267**	196
Amortisation of intangible assets	**5**	5
Staff costs	**3,317**	3,302
Auditors' remuneration for audit services	**31**	35
Operating lease rental expense	**273**	273

Amounts payable to Chantrey Vellacott DFK LLP by the company and its UK subsidiary undertakings in respect of non-audit services, relating to tax advisory services, were £3,000 (2005 – £500). This arrangement is covered by a written agreement to ensure that the objectivity of the auditors is not compromised.

7 Staff costs

The average number of employees (including directors) was:

	Year ended 31 March 2006 Number	Year ended 31 March 2005 Number
Management	**8**	9
Administration	**43**	52
Production	**105**	120
Total	**156**	181

Notes to the financial statements
for the year ended 31 March 2006

7 Staff costs *(continued)*

Their aggregate remuneration comprised:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Wages and salaries	**2,979**	2,992
Social security costs	**298**	271
Pension contributions	**40**	39
Total	**3,317**	3,302

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

8 Investment revenue

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Interest on bank deposits	**3**	1

9 Finance costs

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Interest on bank overdrafts and loans	**121**	158
Interest on obligations under finance leases	**–**	4
Total	**121**	162

10 Tax

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Current tax	**–**	–
Deferred tax	**15**	–
Total	**15**	–

Notes to the financial statements

for the year ended 31 March 2006

10 Tax *(continued)*

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

	Year ended 31 March 2006 £'000	Year ended 31 March 2006 %	Year ended 31 March 2005 £'000	Year ended 31 March 2005 %
Profit/(loss) before tax	**808**	**30**	(376)	30
Tax effect of expenses that are not allowable in determining taxable profit	**4**	**30**	–	–
Tax effect of utilisation of losses not previously recognised	**(862)**	**30**	–	–
Transfer to retained losses	**–**	**–**	383	30
Tax effect of capital allowances claimed in advance of depreciation	**50**	**30**	(7)	30
Total	**–**	**–**	–	–

The Group has trading losses which, subject to agreement with the HM Revenue and Customs, can be carried forward and relieved against future profits of the same trade (note 23).

11 Earnings per share

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

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Earnings		
Net profit/(loss) attributable to the equity holders of the parent company	**823**	(363)

	Year ended 31 March 2006 Number	Year ended 31 March 2005 Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**54,275,876**	54,275,876
Effect of dilutive potential ordinary shares relating to Share options	**4,582,203**	5,182,203
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**58,858,079**	59,458,079

Notes to the financial statements
for the year ended 31 March 2006

12 Goodwill

	Year ended 31 March 2005 £'000
Cost	
At 1 April 2004, 1 April 2005 and at 31 March 2006	364
Accumulated impairment losses	
At 1 April 2004, 1 April 2005 and at 31 March 2006	–
Carrying Amount	
At 31 March 2004 and 31 March 2005	364

The whole of the Goodwill is allocated to a single Cash Generating Unit (CGU) which relates to the operations of Potter & Moore Innovations Ltd.

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

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculation are the discount rate, sales and margin projections, growth rates and expected changes in direct and indirect costs during the time period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Growth rates are based on management estimates and changes in costs based on best practice and expectations.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows based on an estimated growth rate of 8 %.

Notes to the financial statements

for the year ended 31 March 2006

13 Other intangible assets

Group

	Licences £'000	Acquired computer software £'000	Product development costs £'000	Total £'000
Cost				
At 1 April 2004 and 1 April 2005	15	–	–	15
Additions	–	17	69	86
Disposals	(15)	–	–	(15)
At 31 March 2006	–	17	69	86
Accumulated amortisation				
At 1 April 2004	7	–	–	7
Amortisation for the year	5	–	–	5
At 1 April 2005	12	–	–	12
Amortisation for the year	3	2	–	5
Disposals	(15)	–	–	(15)
At 31 March 2006	–	2	–	2
Carrying value				
At 1 April 2004	8	–	–	8
At 1 April 2005	3	–	–	3
At 31 March 2006	–	15	69	84

Notes to the financial statements

for the year ended 31 March 2006

13 Other intangible assets *(continued)*

Company

	Licences £'000
Cost	
At 1 April 2004 and 1 April 2005	15
Disposals	(15)
At 31 March 2006	–
Accumulated amortisation	
At 1 April 2004	7
Amortisation for the year	5
At 1 April 2005	12
Amortisation for the year	3
Disposals	(15)
At 31 March 2006	–
Carrying value	
At 1 April 2004	8
At 1 April 2005	3
At 31 March 2006	–

Notes to the financial statements
for the year ended 31 March 2006

14 Property, plant and equipment
Group

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2004	1,331	4,521	5,852
Additions	–	96	96
Disposals	(-)	(23)	(23)
At 1 April 2004	1,331	4,594	5,925
Additions	–	168	168
Disposals	(1,331)	(3,530)	(4,861)
At 31 March 2006	–	1,232	1,232
Accumulated depreciation			
At 1 April 2004	157	3,995	4,152
Depreciation for the year	27	169	196
Disposals	(-)	(12)	(12)
At 1 April 2005	184	4,152	4,336
Depreciation for the year	–	267	267
Disposals	(184)	(3,523)	(3,707)
At 31 March 2006	–	896	896
Carrying value			
At 1 April 2004	1,174	526	1,700
At 1 April 2005	1,147	442	1,589
At 31 March 2006	–	336	336

Included within plant, equipment are assets held under finance leases with a carrying value of £18,000 (2005: £91,000) on which no depreciation has been charged during the year (2005: £26, 000).

At 31 March 2006 the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £14,000 (2005 – nil).

Notes to the financial statements

for the year ended 31 March 2006

14 Property, plant and equipment *(continued)*

Company

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2004	1,331	4,304	5,635
Additions	–	20	20
Disposals	(-)	(23)	(23)
At 1 April 2005	1,331	4,301	5,632
Additions	–	–	–
Disposals	(1,331)	(4,301)	(5,632)
At 31 March 2006	–	–	–
Accumulated depreciation			
At 1 April 2004	157	3,952	4,109
Depreciation for the year	27	118	145
Disposals	(-)	(12)	(12)
At 1 April 2005	184	4,058	4,242
Depreciation for the year	–	185	185
Disposals	(184)	(4,243)	(4,427)
At 31 March 2006	–	–	–
Carrying value			
At 1 April 2004	1,174	352	1,526
At 1 April 2005	1,147	243	1,390
At 31 March 2006	–	–	–

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

Notes to the financial statements

for the year ended 31 March 2006

15 Investments in subsidiaries

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

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

These undertakings are registered in England and Wales and as at 31 March 2006, with the exception of Potter & Moore Innovations Ltd whose main activity is the creation and manufacture of toiletries and fragrances were dormant.

16 Inventories

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Raw materials	**852**	832	**–**	317
Work in progress	**143**	215	**–**	46
Finished goods	**810**	1,041	**–**	248
	1,805	2,088	**–**	611

Inventories with a carrying value of £1,805,000 (2005 – £2,088,000) have been pledged as security for certain of the Group's bank overdrafts.

17 Trade and other receivables

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade receivables	**1,220**	1,448	**–**	547
Amounts receivable from subsidiaries	**–**	–	**2,088**	603
Prepayments and other receivables	**108**	158	**15**	92
	1,328	1,606	**2,103**	1,242

The carrying value of trade and other receivables also represents their fair value. Trade receivables with a carrying value of £1,220,000 (2005 – £1,448,000) have been pledged as security for certain of the Group's bank facilities.

Notes to the financial statements
for the year ended 31 March 2006

18 Cash and cash equivalents

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Cash at bank and in hand	**77**	1	**–**	–

19 Trade and other payables – current liabilities

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade payables	**899**	1,066	**1**	335
Social security and other taxes	**116**	192	**–**	64
Accrued expenses	**476**	873	**88**	539
Amounts payable to subsidiary undertakings	**–**	–	**35**	35
	1,491	2,131	**124**	973

20 Obligations under finance leases

Group

	Minimum Lease payments	
	31 March 2006 £'000	31 March 2005 £'000
Amounts payable under finance leases		
Within one year	**3**	36
Between two to five years	**13**	11
After 5 years	**–**	–
Total minimum lease payments	**16**	47

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

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

Notes to the financial statements
for the year ended 31 March 2006

21 Bank overdrafts and loans

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank overdrafts and invoice finance borrowings	**340**	621	–	230
Other loans	–	653	–	–
Bank loans	–	881	–	881
	340	2,155	–	1,111

The borrowings are repayable as follows:

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
On demand or within one year	**340**	1,274	–	230
Between two to five years	–	230	**230**	–
After 5 years	–	881	–	881
	340	2,155	–	1,111

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

The weighted interest rates paid were as follows:

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Bank overdrafts and invoice finance borrowings	**6.7**	6.4	**6.7**	6.4
Other loans	**8.0**	9.3	**8.0**	9.3
Bank loans	**6.5**	6.2	**6.5**	6.2

The overdraft and bank loan are secured by fixed and floating charges over the assets of the company and its subsidiaries. The other loan was for money advanced by Whiskin Limited, a company controlled by Mr W McIlroy who is a director and a controlling shareholder. This loan was repaid during the year and was unsecured.

£452,000 of the bank term loan was repaid out of the proceeds of the sale of Unit 6, Water Lane Trading Estate, Storrington, which was completed on 7 July 2005 with the balance of the term loan, amounting to £440,000 was repaid when the sale of Units 1-5a, Water Lane Trading Estate, Storrington was completed on 1 November 2005.

Bank overdrafts are repayable on demand and are secured by a debenture and floating charge over the assets of the company. The invoice finance facilities are repayable from the cash collected from trade receivables and are secured on those trade receivables.

At 31 March 2006 the group had available £453,000 (2005 – £109,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Notes to the financial statements

for the year ended 31 March 2006

22 Derivative financial instruments

Foreign exchange transaction risks

The Group utilises currency derivatives to hedge against significant future transactions and cash flows. The Group is party to foreign currency forward contracts in the management of its exchange risk exposure. The instruments purchased are denominated in the currency used by the Group's principal overseas suppliers.

At the balance sheet date, total notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Forward foreign exchange contracts	**170**	–

These arrangements are designed to address significant known exposure in the first half of our financial year to March 2006. Additional contracts will be entered into to cover the exposure associated with additional commitments.

At 31 March the fair value of the group's currency derivatives is estimated to be approximately £170,000 (2005 – nil). These amounts are based on the market value of equivalent instruments at the balance sheet date.

The Group does not designate its foreign currency balances as a hedging instrument.

Interest rate risk

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

23 Deferred tax

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

Group

	Accelerated tax depreciation £'000	Tax losses £'000	Total £'000
At 1 April 2004	15	–	15
Charge to income	–	–	–
At 1 April 2005	15	–	15
Charge to income	(15)	–	(15)
At 31 March 2006	–	–	–

Company

There is no charge to deferred tax for the company.

At the balance sheet date, the Group has unused tax losses of £4,178,000 (2005 – £4,464,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

Notes to the financial statements
for the year ended 31 March 2006

24 Share capital

	Ordinary shares of 1p each			
	2006		2005	
	£'000	Number	£'000	Number
Authorised	**1,223**	**122,346,000**	1,223	122,346,000
Issued and fully paid	**543**	**54,275,876**	543	54,275,876

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

25 Reserves and changes in equity

Group

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve £000	Special reserve £000	Share-based payment reserve £000	Retained reserve £000	Total equity £000
At 1 April 2004	543	1,229	18	7	13	5	(170)	1,645
Additional provision	–	–	–	–	–	21	–	21
Net (loss) for the year	–	–	–	–	–	–	(363)	(363)
At 1 April 2005	543	1,229	18	7	13	26	(533)	1,303
Additional provision	–	–	–	–	–	21	–	21
Net profit for the year	–	–	–	–	–	–	823	823
At 31 March 2006	543	1,229	18	7	13	47	290	2,147

Company

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Share-based payment reserve £000	Retained reserve £000	Total equity £000
At 1 April 2004	543	1,229	18	1,441	5	(1,635)	1,601
Additional provision	–	–	–	–	21	–	21
Net (loss) for the year	–	–	–	–	–	(400)	(400)
At 1 April 2005	543	1,229	18	1,441	26	(2,035)	1,222
Additional provision	–	–	–	–	21	–	21
Net profit for the year	–	–	–	–	–	796	796
At 31 March 2006	543	1,229	18	1,441	47	(1,239)	2,039

The Company obtained a court ruling dated 19 March 1997 under which the reduction in share premium was credited to a special reserve. The special reserve was first used to write off the deficit on the company profit and loss account and then to write off the goodwill arising on the acquisition of Crestol Limited to the Group profit and loss account. At 31 March 2006 goodwill written off amounts to £2,575,000 (2005: £2,575,000).

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

Notes to the financial statements

for the year ended 31 March 2006

26 Share-based payments

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

	Ordinary shares of 1p each			
	2006		2005	
	Number	Weighted average exercise price	Number	Weighted average exercise rice
Outstanding at the beginning of the period	**5,182,203**	**2.75p**	5,182,203	2.75p
Forfeited in the period	**(500,000)**	**2.75p**	–	2.75p
Outstanding at the end of the period	**4,682,203**	**2.75p**	5,182,203	2.75p

No options are exercisable at the end of the period.

The options were granted in January 2004 and are exercisable between January 2007 and January 2011.

The inputs into the Black-Scholes model are as follows:

	Year ended 31 March 2005 and 2006
Weighted average share price (pence)	3.00p
Weighted average exercise price (pence)	2.75p
Expected volatility (%)	41.8%
Expected life (years)	1.3
Risk free rate (%)	4.5%
Expected dividends (pence)	–

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

The Group recognised total expenses of £21,000 (2005 – £21,000) related to share based payments.

27 Retirement benefit schemes

The Group operates a defined contribution scheme for certain employees. The assets of the scheme are held separately from the Group. The charge in the consolidated income statement in the year was £40,000 (2005 – £39,000) and cash contributions were £40,000 (2005: £39,000).

Notes to the financial statements
for the year ended 31 March 2006

28 Operating lease arrangement

The Group leases premises and other plant and equipment under non-cancellable operating leases.

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

Group

	2006 Property £'000	2006 Plant and equipment £'000	2005 Property £'000	2005 Plant and equipment £'000
Within one year	**265**	**–**	23	33
In the second to fifth year inclusive	**241**	**–**	188	–
Total	**506**	**–**	211	33

Company

	2006 Property £'000	2006 Plant and equipment £'000	2005 Property £'000	2005 Plant and equipment £'000
Within one year	**59**	**–**	23	12
In the second to fifth year inclusive	**14**	**–**	–	–
Total	**73**	**–**	23	12

29 Capital commitments

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Contracts placed for future capital expenditure not provided or in the financial statements	**14**	16	**–**	–

Notes to the financial statements

for the year ended 31 March 2006

30 Related party transactions

Transactions between the company and its subsidiary, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the period, group companies entered into the following transactions with Whiskin Limited, a related party which is not a member of the group:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Loan payable to Whiskin Limited		
Start of period	**653**	854
Interest charged	**32**	53
Repayments of interest and capital	**(685)**	(254)
End of period	**–**	653

Whiskin Limited is a company of which Mr McIlroy is a director and controlling shareholder.

31 Notes to cash flow statement

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Profit/(loss) from operations	**926**	(202)
Adjustments for:		
Depreciation on property plant and equipment	**267**	196
Amortisation of intangible assets	**5**	5
(Gain)/loss on disposal of property, plant and equipment	**(442)**	1
Share based payment charge	**21**	21
Operating cash flows before movements in working capital	**777**	21
Decrease/(increase) in inventories	**283**	(551)
Decrease in trade and other receivables	**278**	340
(Decrease)/increase in trade and other payables	**(640)**	469
Cash generated from operations	***698***	279
Interest paid	**(121)**	(162)
Net cash inflow from operating activities	**577**	117

Additions to plant and equipment during the year amounting to £16,000 (2005 – nil) were financed by new finance leases.

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

Notes to the financial statements
for the year ended 31 March 2006

32 Explanation of transition to IFRS

This is the first year that the Group has presented its financial statements under IFRS. The following disclosures are required in the year of transition.

Reconciliation of consolidated income statement for the year ended 31 March 2005

	UK GAAP £'000	Goodwill Amortisation £'000	Share based payments £'000	IFRS £'000
Revenue	11,354	–	–	11,354
Cost of sales	(7,040)	–	–	(7,040)
Gross Profit	4,314	–	–	4,314
Other operating income	7	–	–	7
Distribution costs	(277)	–	–	(277)
Administration costs	(4,259)	34	(21)	(4,246)
(Loss) from operations	(215)	34	(21)	(202)
Finance costs	(161)	–	–	(161)
(Loss) before tax	(376)	34	(21)	(363)
Tax	–	–	–	–
(Loss) for the period attributable to the holders of the parent company	(376)	34	(21)	(363)

An explanation of the impact of the principal differences and resulting adjustments between UK GAAP and IFRS as they apply to Creightons consolidated income statement for the year ended 31 March 2005 is set out below.

(i) Goodwill amortisation

Under UK GAAP, goodwill was amortised over its useful economic life, not exceeding 20 years. Under IFRS, goodwill is not amortised but is tested at least annually for impairment.

For the year to 31 March 2005 under IFRS, goodwill amortisation of £34,000 expensed under UK GAAP has been reversed.

(ii) Share based payments

Under UK GAAP, no expense was recognised for share options at the time of grant. Under IFRS an expense is recognised for all equity options granted after January 2004 based on the fair value of the options at the date of grant calculated using the appropriate pricing model.

For the year ended 31 March 2005 under IFRS operating expenses increase by £21,000.

Notes to the financial statements

for the year ended 31 March 2006

32 Explanation of transition to IFRS *(continued)*

Reconciliation of consolidated net assets at 31 March 2005

	UK GAAP £'000	Goodwill Amortisation £'000	Share based payments £'000	IFRS £'000
Non-current assets				
Goodwill	296	68	–	364
Other intangible assets	3	–	–	3
Property, plant and equipment	1,589	–	–	1,589
	1,888	68	–	1,956
Current assets				
Inventories	2,088	–	–	2,088
Trade and other receivables	1,606	–	–	1,606
Cash and cash equivalents	1	–	–	1
	3,695	–	–	3,695
Total assets	5,583	68	–	5,651
Current liabilities				
Trade and other payables	2,131	–	–	2,131
Short term borrowings	1,310	–	–	1,310
	3,441	–	–	3441
Non-current liabilities				
Long term borrowings	892	–	–	892
Deferred tax	15	–	–	15
	907	–	–	907
Total liabilities	4,348	–	–	4,348
Net assets	1,235	68	–	1,303
Equity				
Share capital	543	–	–	543
Share premium account	1,229	–	–	1,229
Capital redemption reserve	18	–	–	18
Capital reserve	7	–	–	7
Special reserve	13	–	–	13
Share-based payment reserve	–	–	26	26
Retained earnings	(575)	68	(26)	(533)
Total equity available to the holders of the parent company	1,235	68	–	1,303

Notes to the financial statements
for the year ended 31 March 2006

32 Explanation of transition to IFRS *(continued)*

Reconciliation of consolidated net assets at 1 April 2004 (Transition date)

	UK GAAP £'000	Goodwill Amortisation £'000	Share based payments £'000	IFRS £'000
Non-current assets				
Goodwill	330	34	–	364
Other intangible assets	8	–	–	8
Property, plant and equipment	1,700	–	–	1,700
	2,038	34	–	2,072
Current assets				
Inventories	1,537	–	–	1,537
Trade and other receivables	1,946	–	–	1,946
Cash and cash equivalents	1	–	–	1
	3,484	–	–	3,484
Total assets	5,522	34	–	5,556
Current liabilities				
Trade and other payables	1,662	–	–	1,662
Short term borrowings	2,188	–	–	2,188
	3,850	–	–	3,850
Non-current liabilities				
Long term borrowings	46	–	–	46
Deferred tax	15	–	–	15
	61	–	–	61
Total liabilities	3,911	–	–	3,911
Net assets	1,611	34	–	1,645
Equity				
Share capital	543	–	–	543
Share premium account	1,229	–	–	1,229
Capital redemption reserve	18	–	–	18
Capital reserve	7	–	–	7
Special reserve	13	–	–	13
Share-based payment reserve	–	–	5	5
Retained earnings	(199)	34	(5)	(170)
Total equity available to the holders of the parent	1,611	34	–	1,645

Notes to the financial statements

for the year ended 31 March 2006

32 Explanation of transition to IFRS *(continued)*

Reconciliation of consolidated cash flow statement for the year ended 31 March 2005

	UK GAAP £'000	Goodwill Amortisation £'000	Share based payments £'000	IFRS £'000
Net cash from operating activities	117	–	–	117
Cash flow from investing activities				
Interest received	1	–	–	1
Proceeds on disposal of property, plant and equipment	10	–	–	10
Purchase of property, plant and equipment	(96)	–	–	(96)
Net cash used in investing activities	(85)	–	–	(85)
Cash flow from financing activities				
Repayment of borrowings	(258)	–	–	(258)
New bank loans	900	–	–	900
(Decrease) in bank overdrafts	(674)	–	–	(674)
Net cash (used in) financing activities	(32)	–	–	(32)
Net increase in cash and cash equivalents –	–	–	–	
Cash and cash equivalents at start of period	1	–	–	1
Cash and cash equivalents at end of period	1	–	–	1

Notes to the financial statements

for the year ended 31 March 2006

32 Explanation of transition to IFRS *(continued)*

Reconciliation of note to consolidated cash flow statement for the year ended 31 March 2005

	UK GAAP £'000	Goodwill Amortisation £'000	Share based payments £'000	IFRS £'000
(Loss) from operations	(215)	34	(21)	(202)
Adjustments for:				
Depreciation on property plant and equipment	196	–	–	196
Amortisation of goodwill	34	(34)	–	–
Amortisation of intangible assets	5	–	–	5
Loss on disposal of property, plant and equipment	1	–	–	1
Share based payment charge			21	21
Operating cash flows before movements in working capital	21	–	–	21
(Increase) in inventories	(551)	–	–	(551)
Decrease in receivables	340	–	–	340
Increase in payables	469	–	–	469
Cash generated from operations	279	–	–	279
Interest paid	(162)	–	–	(162)
Net cash from operating activities	117	–	–	117