

Directors' Remuneration Report

The Board recognises that Directors' remuneration is of legitimate interest to shareholders and is committed to following appropriate best practice for a Company of its size. The Group operates within a competitive environment that is subject to rapid commercial change. Its performance depends on the individual contributions of the Directors and employees and it believes in rewarding them appropriately for their role and incentivising them to achieve exceptional results.

In accordance with Section 241A of the Companies Act 1985, the Board presents the Directors' Remuneration Report for shareholder approval. The following report is unaudited except where specified.

Remuneration Committee

The Remuneration Committee (the Committee) comprises Mr M R Wall (Chairman), Mr D C Marshall and Mr A J H Dougal. All members are Non-Executive Directors and consider themselves to be independent. None of them has any personal financial interest in the matters to be decided (other than as shareholders), have no share options or any potential conflicts of interest arising from cross-directorships, or any day-to-day involvement in running the business. A member of the Committee will attend the Annual General Meeting and will be available to answer shareholders' questions about Directors' remuneration.

The Remuneration Committee meets as often as is appropriate (at least once a year), and is responsible for making recommendations to the Board on the general policy on remuneration of Executive Directors and senior management, including Long-Term Incentive Plans (LTIP) awards. The Board, on the advice of the Committee, determines the terms of service contracts, salaries, bonus payments and pension and decides on the grant of shares and share options. The Committee also advises the Nominations Committee when considering recruitment and termination packages. It carries out the policy on behalf of the Board.

As well as considering conditions in the Group as a whole, the Committee takes into account the position of the Company relative to other comparable companies. The Committee consults the Chief Executive Officer, has access to advice within the Company and obtains its own independent professional advice from outside the Company. Where non-Committee members are involved in advising or supporting the Remuneration Committee, care is taken to ensure potential conflicts of interest do not arise. Ernst & Young and Hewitt New Bridge Street Consultants reviewed and reported to the Remuneration Committee on the Executive Directors' and senior management bonus and LTIP arrangements during the year.

Creston Total Shareholder Return v FTSE All Share Media & Entertainment Index



The above graph shows Creston plc's Total Shareholder Return ('TSR') performance compared to the TSR of the FTSE All Share Media & Entertainment Index over the past five years. The Company believes this to be the most appropriate index as it includes all smaller companies in the Media sector including Creston itself.

TSR is defined as the percentage change over the period in market price assuming the reinvestment of income and funding of liabilities of the theoretical holding. TSR has been calculated on a daily basis in order to reduce the volatility associated with spot prices.

Remuneration Policy

The Committee seeks to ensure that the total remuneration received by Executive Directors is competitive and will motivate them to perform at the highest level. For this reason the remuneration package of the Executive Directors contains, in addition to the salary, a performance-related annual and long-term incentive.

Basic Salary and Benefits

The Committee reviews the basic salary and benefits packages of the Executive Directors annually, and will obtain the assistance of independent advisors as appropriate. In deciding upon appropriate levels of remuneration the Committee believes that the Company should offer levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies. The base pay comprises a total salary package, allowing the executives to spend it as they choose rather than as determined by Company schemes. No pension contributions are paid other than by way of salary sacrifice and no pension benefits are accrued in respect of Directors under present arrangements.

Annual Bonus Payments

The Committee establishes performance targets that are relevant and challenging, that increase the value of the Group, and which must be met for an annual bonus to be paid. Performance-related award schemes have been established which recognise the duties of the recipients.

For the Executive Directors, the annual bonus performance was unchanged for the financial year just ended and was based on the three-year average Headline DEPS minimum and maximum growth of 12 per cent and 30 per cent respectively. The bonuses rise with performance and the maximum related bonus that can be paid is 100 per cent of basic annual salary for the Chief Executive Officer and 70 per cent for the Chief Operating and Financial Officer. The annual bonus payments are not pensionable other than by way of salary sacrifice.

For the senior management of an operating company, the annual bonus scheme for growing its operating profit under the Management Incentive Compensation Plan ('MICP') remains unchanged. An MICP pool for each operating company is generated based on profit growth in excess of an annual target and this pool is distributed to the management up to a cap fixed as a percentage of salary. The MICP is introduced to agencies where earn-out arrangements expire and this scheme replaces existing bonus schemes for the operating company's Board.

Long-Term Incentive Plan

In order to ensure that the key management and staff of the Group are appropriately incentivised, motivated and retained to achieve outstanding levels of performance over the long term, the Company operates a long-term incentive plan.

Structure of award

Participants will be awarded a contingent right to receive Ordinary Shares in the Company subject to certain restrictions set out in the rules of the LTIP scheme approved by shareholders in July 2005.

Eligibility

Participation in the LTIP will be at the discretion of the Remuneration Committee. Only employees and full-time Directors of Group companies may participate in the LTIP. The participants are the Group's Chief Executive Officer ('CEO') and Chief Operating and Financial Officer ('COO/CFO') and senior employees in the Group's operating subsidiaries.

The Awards

Awards may be granted at any time when doing so would not be in breach of the Model Code or any other relevant statute or regulation. Awards are made to the CEO, COO/CFO on the settlement of consideration for the acquisition of a company or business. It is intended that the value of awards made to the CEO, COO/CFO will be equal to a percentage of the value of the consideration paid on the acquisitions referred to above. The value of the awards will be 1.35 per cent for the CEO and 0.65 per cent for the COO/CFO. The COO/CFO will not receive awards in respect of transactions prior to his appointment. Awards are made to the senior employees of the subsidiaries on a bi-annual basis and as a percentage of annual salary. Their awards are made up of a mixture of cash and shares.

Shares transferred to participants will rank equally with other Ordinary Shares and will be admitted to the Official List. Participants will not be entitled to receive dividends prior to the vesting of their awards, however, they will receive a cash payment equal to the dividend they would have received had they been entitled to receive the dividend.

No awards may be made more than 10 years after the LTIP is approved.

Awards vest and shares will be transferred to participants three years after their grant, provided and to the extent that the performance targets have been achieved.

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Performance Targets

The performance targets for the restricted shares awarded under the LTIP will be set by the Remuneration Committee. Initially the performance target will be based on the Company achieving average growth in Headline diluted earnings per share (DEPS) (as defined in the Financial Glossary on page 87) for three consecutive financial years in excess of the industry average. The industry average will be the average DEPS of a group of comparator companies chosen by the Remuneration Committee (having taken appropriate advice). The Remuneration Committee considers the following targets to be challenging and demanding:

| The average growth in Headline DEPS for three consecutive financial years has exceeded industry average by: | % of awarded shares vesting: |
|---|------------------------------|
| Below 5% | 0 |
| 5% or greater but less than 6% | 30% |
| 6% or greater but less than 7% | 40% |
| 7% or greater but less than 8% | 55% |
| 8% or greater but less than 9% | 65% |
| 9% or greater but less than 10% | 75% |
| 10% or greater but less than 11% | 80% |
| 11% or greater but less than 12% | 90% |
| 12% and above | 100% |

The first financial year of a performance period will be the financial year in which the award is granted.

The performance targets for the LTIP awards to senior employees (excluding the Executive Directors) will also be measured over a three-year period and are based on stretching profit growth targets for their respective subsidiary.

To the extent that the performance targets are not met, awards will lapse and the relevant number of shares will not be transferred to the participant. There is no re-testing of the performance criteria, except in respect of the impact of IFRS on historical reported diluted EPS.

Following the introduction of IFRS, the Reported results of Creston have become more volatile. In order to ensure that the Group's incentive schemes reflect underlying performance, the Board has adopted the Headline financial figures as the key performance indicators.

Cessation of Employment

In normal circumstances, awards will lapse if a participant ceases to be employed within the Group. However, in certain 'good leaver' situations (such as illness, disability, redundancy, retirement etc), or in other exceptional circumstances, the Remuneration Committee will have a discretion to determine whether and to what extent awards vest, taking into account the performance of the Company up to the date of cessation.

LTIP Limits

The number of newly issued shares that may be allocated under the LTIP (and any other employees' share scheme adopted by the Company) will be limited to 10 per cent of the issued share capital in a 10-year period (excluding any shares so allocated prior to the Company's move from property to marketing services in January 2001). Shares purchased in the market, rather than issued, will not count towards these limits. The value of shares which are made the subject of awards made to the CEO, COO/CFO must not exceed 4.2 (CEO) and 3 (COO/CFO) times their respective base salaries in any three-year period. In all other cases, awards over shares worth no more than 1 times base salary may be made each year to a participant.

Change of Control

It is proposed that on a change of control of the Company the awards will vest, subject to the extent to which the Remuneration Committee considers the performance targets have been satisfied up to the change of control and the awards will be time apportioned for the period between date of grant and change of control.

Amendments to the LTIP

The Remuneration Committee may at any time amend the LTIP in any respect providing that any amendment to the rules dealing with who is eligible to participate, individual or LTIP limits cannot be altered to the advantage of participants unless approved by the Company in general meeting (except for minor amendments to benefit the administration of the LTIP or to take account of changes in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company, the Group or for a participant).

Overseas LTIP

The LTIP provides that additional sections of the rules may be adopted for participants outside of the UK. Awards granted under such additional sections may be granted subject to different terms and conditions in order to take account of local laws. However, additional sections must conform to the basic principles of the LTIP and must not increase the limits set out in the LTIP.

Pension

Awards under the LTIP are not pensionable.

Service Contracts

The terms of the service contracts do not allow the Executive Directors to engage in any other business outside the Company without prior written consent from the Committee and no such consent has been sought.

The service contracts with the Executive Directors are for indefinite periods and they provide for a notice period not exceeding one year, in keeping with current best practice. The policy of the Company is that termination payments should not exceed more than 12 months' basic salary.

| Executive Directors | Date of contract | Notice period |
|----------------------------|-------------------------|----------------------|
| Mr D H Elgie | 29 January 2001 | 12 months |
| Mr B C Brien | 9 September 2004 | 9 months |

| Non-Executive Directors | Date of Appointment |
|--------------------------------|----------------------------|
| Mr D C Marshall (as Chairman) | 26 November 1999 |
| Mr A J H Dougal | 7 September 2006 |
| Mr M R Wall | 11 April 2007 |

Non-Executive Directors

The remuneration of the Non-Executive Directors is determined annually and set within the limits specified in the Articles of Association. The remuneration is in no way related to performance. Non-Executive Directors cannot participate in any of the Company's share schemes, nor are they provided with any pension. The shareholdings of the independent Non-Executive Directors are not deemed to impair their independence.

The remuneration of the Non-Executive Directors is determined by the Board within the £200,000 limit set by the Company's Articles of Association.

Audited Information

Directors' Emoluments

The emoluments of the Executive Directors comprised:

| | Salary 2009 £ | Performance- related bonus 2009 £ | Benefits 2009 £ | Total 2009 £ | Total 2008 £ |
|--------------|------------------------------|--|--------------------------------|-----------------------------|-----------------------------|
| Mr D H Elgie | 383,286 | 158,626 | 6,127 | 548,039 | 741,196 |
| Mr B C Brien | 262,650 | 81,079 | 2,792 | 346,521 | 436,250 |

The main benefits for both of the Executive Directors relate to motor vehicle costs and club memberships. In addition, payments are made to a life assurance scheme for Mr D H Elgie.

In addition, the following numbers of shares were transferred to the Executive Directors during and in relation to the financial year:

| | In lieu of performance- related bonus No. of shares | Vesting of LTIP awards No. of shares | Total 2009 No. of shares | Total 2008 No. of shares |
|--------------|--|---|---|---|
| Mr D H Elgie | 135,751 | 21,926 | 157,677 | – |
| Mr B C Brien | 66,754 | 56,937 | 123,691 | – |

Mr D H Elgie has a service contract that can be terminated on one year's notice by the Company or by the Director. Mr B C Brien has a service contract that can be terminated on nine months' notice by the Company or by the Director.

Up to 20 per cent of the bonus of Mr D H Elgie may be paid in the form of shares, however, the amount payable in shares is reduced by the amount of any shares bought personally by him in the year. During the year, however, both Mr D H Elgie and Mr B C Brien elected to have 50 per cent of their annual performance-related bonus paid in shares rather than cash. A valuation is assigned to options awarded using the Black Scholes valuation model. In 2009, £nil (2008: £nil) was charged to the income statement in respect of unvested options held by Mr D H Elgie and Mr B C Brien. During the year, £684,000 (2008: £589,000) was charged to the income statement in respect of LTIPs (see note 6 to the financial statements).

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The remuneration of Non-Executive Directors comprised fees and remuneration as follows:

| | 2009 £ | 2008 £ |
|-----------------|-----------|-----------|
| Mr D C Marshall | 30,000 | 30,000 |
| Mr A J H Dougal | 30,000 | 30,000 |
| Mr M R Wall | 30,000 | 29,000 |
| Mr P J Cunard | – | 6,667 |
| Mr D J Hanger | – | 7,333 |

Mr D C Marshall's appointment has no expiry date.

Mr A J H Dougal's and Mr M R Wall's appointments are due to expire at the close of the Company's AGM in 2009 and 2010 respectively.

The total Directors' emoluments are £984,560 (2008: £1,280,446).

The fees for Mr D C Marshall were paid to City Group P.L.C.

LTIP Awards

The following number of shares relate to LTIP awards granted to the Executive Directors:

| | 1 April 2008 | Awarded | 31 March 2009 | Award date | Performance period | Vesting date |
|--------------|--------------|---------|------------------|------------|-----------------------|--------------|
| Mr D H Elgie | 319,646 | | 319,646 | 30.05.06 | 31.03.09 | 30.05.09 |
| Mr D H Elgie | 61,986 | | 61,986 | 27.07.06 | 31.03.09 | 27.07.09 |
| Mr D H Elgie | 68,344 | | 68,344 | 30.01.07 | 31.03.09 | 20.01.10 |
| Mr D H Elgie | 32,414 | | 32,414 | 27.07.07 | 31.03.10 | 27.07.10 |
| Mr D H Elgie | – | 314,609 | 314,609 | 03.04.08 | 31.03.11 | 03.04.11 |
| Mr B C Brien | 153,905 | | 153,905 | 30.05.06 | 31.03.09 | 30.05.09 |
| Mr B C Brien | 21,845 | | 21,845 | 27.07.06 | 31.03.09 | 27.07.09 |
| Mr B C Brien | 32,906 | | 32,906 | 30.01.07 | 31.03.09 | 30.01.10 |
| Mr B C Brien | 9,310 | | 9,310 | 27.07.07 | 31.03.10 | 27.07.10 |
| Mr B C Brien | – | 151,479 | 151,479 | 03.04.08 | 31.03.11 | 03.01.11 |

The performance criteria have been met for the awards that have a performance period ending 31 March 2009. The awards vesting on 30 May 2009 vested in full and shares were transferred to Mr D H Elgie and Mr B C Brien on 26 June 2009. The remaining awards are yet to be approved by the Remuneration Committee.

Share Options

The Company has a number of share option schemes (see note 26 to the financial statements). Options granted to the Executive Directors under these schemes are as follows:

| | Number of options | Exercise price | Date from which exercisable | Expiry date |
|--------------|----------------------|----------------|-----------------------------------|-------------|
| Mr D H Elgie | 140,060 | 95p | 29.01.04 | 29.01.11 |
| Mr D H Elgie | 382,380 | 110p | 16.10.06 | 16.10.13 |
| Mr D H Elgie | 60,657 | 114p | 17.10.06 | 17.10.13 |
| Mr D H Elgie | 91,145 | 113p | 03.11.06 | 03.11.13 |
| Mr D H Elgie | 46,752 | 139p | 05.07.07 | 04.07.14 |
| Mr D H Elgie | 67,477 | 142p | 30.09.07 | 30.09.14 |
| Mr D H Elgie | 487,280 | 155p | 31.03.08 | 31.03.15 |
| Mr D H Elgie | 24,231 | 165.5p | 31.03.09 | 31.08.15 |
| Mr D H Elgie | 20,078 | 165.5p | 31.03.09 | 31.08.15 |
| Mr B C Brien | 70,422 | 142p | 30.09.07 | 30.09.14 |
| Mr B C Brien | 150,000 | 142p | 31.03.08 | 30.09.14 |

No options were granted to, or exercised by, the Executive Directors in the year. Full details of lapsed share options can be found in note 26 to the financial statements.

Mr D H Elgie

Under a letter dated 29 January 2001, Mr D H Elgie was to be granted options to subscribe for a number of new Ordinary Shares equal to 5 per cent of any new Ordinary Shares issued by the Company. The entitlement to these options is divided equally into time-based options and performance options. This scheme was replaced by the Creston Long-Term Incentive Plan. No further options are to be issued.

Mr B C Brien

Under the terms of his service agreement Mr B C Brien was granted options to subscribe for 150,000 new Ordinary Shares under the unapproved share option scheme. In line with other senior members of the Group, Mr B C Brien received options to subscribe for 70,422 new Ordinary Shares under the Creston plc EMI Scheme. The time-based options were agreed as part of Mr Brien's service agreement and were in compensation for restricted stock and options given up to join the Company.

Performance Criteria

The above options are based on the performance of Creston plc's Headline DEPS growth compared to the average growth in DEPS of a basket of its competitors as agreed by its brokers in conjunction with the Remuneration Committee.

Share Price

The mid-market price of the Ordinary Shares was 59.25 pence on 1 April 2008 and 30.0 pence on 31 March 2009, the first and last trading days of the Creston financial year. During the year, the share price ranged from 19.75 pence to 70.50 pence.

Pensions

There are no Company pension contributions payable on behalf of the Executive Directors, other than by way of salary sacrifice (2008: nil).

Malcolm Wall

On behalf of the Board

Chairman of the Remuneration Committee

17 July 2009