

# Notes to the Creston plc Company accounts

## 1 Accounting policies

The principal accounting policies of the Company are set out below. The policies have remained unchanged from the previous year.

### Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards and those parts of the Companies Act 1985 which are applicable to companies reporting under UK GAAP.

### Share-based payment transactions

In accordance with FRS 20, certain payments made to employees in respect of earn-out arrangements are required to be treated as remuneration within the income statement over the relating vesting period. These amounts are required to be charged to the income statement.

The Group has applied the requirements of FRS 20, share-based payments. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value 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 Company's estimate of the number of shares that will eventually vest.

Fair value is measured by use of a Black Scholes model on the grounds that there are no market-related vesting conditions. 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. Details of the risk-free rate and dividend yield used to underpin these assumptions are included in note 27 of the consolidated financial statements. Market price on any given day is obtained from external publicly available sources.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments. Over the vesting period, where re-measurements materialise, differences are taken to the income statement.

The share-based plans are subject to performance criteria and continued employment. These are assessed on an annual basis. Further details of share options are included in note 26 of the consolidated financial statements.

### Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less the estimated residual value of each asset evenly over its expected useful economic life, as follows:

Leasehold property	Period of the lease
Fixtures, fittings and equipment	Three – ten years

### Deferred consideration

The terms of an acquisition may provide that the value of the purchase consideration, which may be payable in cash, shares or other securities at a future date, depends on uncertain future events such as the future performance of the acquired company. Where it is not possible to estimate the amounts payable with any degree of certainty, the amounts recognised in the financial statements represent a reasonable estimate at the balance sheet date of the amounts expected to be paid. The deferred consideration is discounted to fair value. The difference between the fair value of the liabilities and the actual amounts payable are charged to the profit and loss account as notional finance costs (calculated at the annual rate of 3.6 per cent) over the life of the associated liability based on the weighted average rate appropriate to the expected settlement.

Where the agreement gives rise to an obligation that is settled by the delivery of a variable number of shares to meet a monetary defined liability, these amounts are disclosed as debt.

### Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at fair value, 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 to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### Investments

Fixed asset investments are stated at cost less provision for any impairment in value.

### Lease commitments

Rental costs under operating leases are charged to the profit and loss account as incurred.

## 2 Profit before taxation

Profit before taxation is after:

	2009 £'000	2008 £'000
Auditors' remuneration	88	126
Depreciation – owned assets	202	196
Operating lease rentals – property	192	81

Auditors' remuneration may be analysed as follows:

	2009 £'000	2008 £'000
External audit services – fees payable for the audit of the parent company and consolidated accounts	48	38
Non-audit services		
Tax services		
Advisory services	15	80
Other services	25	8
	88	126

## 3 Staff costs

	2009 £'000	2008 £'000
Wages and salaries	1,784	1,912
Social security costs	165	161
Share-based payments	797	562
	2,746	2,635

The average number of employees of the Company was 12 (2008: 9).

## 4 Tangible fixed assets

	Leasehold property £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2008	18	1,024	1,042
Additions	–	89	89
Disposals	–	(116)	(116)
<b>At 31 March 2009</b>	<b>18</b>	<b>997</b>	<b>1,015</b>
<b>Depreciation</b>			
At 1 April 2008	17	455	472
Charge for the year	1	201	202
Disposals	–	(116)	(116)
<b>At 31 March 2009</b>	<b>18</b>	<b>540</b>	<b>558</b>
Net book amount			
<b>At 31 March 2009</b>	<b>–</b>	<b>457</b>	<b>457</b>
At 31 March 2008	1	569	570

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## 5 Investments

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 April 2008	146,867
Additions and adjustments to consideration	3,707
<b>At 31 March 2009</b>	<b>150,574</b>
Net book amount	
<b>At 31 March 2009</b>	<b>150,574</b>
At 31 March 2008	146,867

The adjustment to consideration relates to a change in the deferred consideration of completed acquisitions under the terms of the relevant sale and purchase agreements.

A full list of subsidiary undertakings are detailed in the Group accounts on page 66.

## 6 Debtors

	2009 £'000	2008 £'000
Amounts due from Group undertakings	787	1,503
Prepayments and accrued income	99	232
Other debtors	112	1,016
	<b>998</b>	<b>2,751</b>

Other debtors include an amount of £nil (2008: £935,000) which relates to an estimate of amounts recoverable from vendors in accordance with the respective sale and purchase agreement. Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

## 7 Creditors – Amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft and revolving credit facility	17,596	7,433
Trade creditors	129	56
Amounts owed to Group undertakings	1,390	2,184
Corporation tax	502	75
Social security and other taxes	812	1,087
Accruals and deferred income	1,471	1,459
Other creditors	108	109
Acquisition loan notes	23	1,432
Acquisition deferred consideration	16,527	11,573
Bank loan	2,800	2,757
	<b>41,358</b>	<b>28,165</b>

## 8 Creditors – Amounts falling due after more than one year

	2009 £'000	2008 £'000
Amounts due to Group undertakings	–	1,217
Acquisition deferred consideration	2,887	15,339
Bank loan	11,600	14,400
	<b>14,487</b>	<b>30,956</b>

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

## 9 Borrowings

	2009 £'000	2008 £'000
Bank overdraft and revolving credit facility	17,596	7,433
Bank loans	14,400	17,157
Loan notes	23	1,432
	<b>32,019</b>	26,022
Due within one year or on demand	20,419	11,622
Due in more than one year but not more than two years	11,600	2,800
Due in more than two years but not more than five years	–	11,600
	<b>32,019</b>	26,022

## 10 Deferred taxation

The deferred taxation asset of £189,000 (2008: £593,000) recognised in the financial statements is set out below:

	2009 £'000	2008 £'000
Accelerated capital allowances	–	(13)
Share-based payments	189	606
	<b>189</b>	593

The movement in the year is analysed as follows:

	2009 £'000	2008 £'000
As at 1 April	593	566
Profit and loss account	(404)	27
As at 31 March	<b>189</b>	593

## 11 Operating lease commitments

As at 31 March 2009, the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2009 Land and buildings £'000	2008 Land and buildings £'000
In one year or less	<b>42</b>	55

## 12 Share capital, own shares and share premium

The movements on these items are disclosed within the consolidated statement of changes in equity within the consolidated financial statements.

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## 13 Statement of movements on reserves

	Shares to be issued £'000	Special reserve £'000	Other reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 April 2008	2,445	2,385	28,365	72	19,705
Profit for the year	–	–	–	–	5,406
Loss on Treasury scheme/employee benefit trust	–	–	–	–	(74)
Gain on treasury scheme/employee benefit trust	–	–	–	–	13
Fair value adjustment of own shares	–	–	–	–	325
Credit for share-based incentive scheme	656	–	–	–	–
Exercise of share award	(355)	–	–	–	–
Transfer of lapsed option costs	(40)	–	–	–	40
Dividends	–	–	–	–	(1,365)
<b>At 31 March 2009</b>	<b>2,706</b>	<b>2,385</b>	<b>28,365</b>	<b>72</b>	<b>24,050</b>

## 14 Profit for the year

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. The profit for the financial year relating to the Company amounted to £5,406,000 (2008: £7,710,000).

## 15 Related party transactions

Mr D C Marshall is a Director of City Group P.L.C. and Western Selection P.L.C. which held 3,000,000 Ordinary Shares at 31 March 2009. During the year, total fees of £65,143 (2008: £57,986) were paid to City Group P.L.C., £35,143 (2008: £27,986) for the provision of secretarial services and assistance on the acquisitions and £30,000 (2008: £30,000) for the services of Mr D C Marshall.