



Don Elgie
Chief Executive
Officer

David Marshall
Non-Executive
Chairman

Chairman and Chief Executive's Statement

Since its inception as an insight and communications group in 2001, Creston plc has had eight years of uninterrupted growth. In the year to March 2009, our revenue grew 4 per cent and our Headline PBT by 5 per cent – ahead of market expectations. In the current economic climate, we believe that is no small achievement.

Our Headline diluted earnings per share (DEPS) increased by 9 per cent, whilst the Reported DEPS increased by 40 per cent. We are pleased that our Headline Profit Before Interest and Tax (PBIT) margin of 19 per cent is one of the highest amongst listed marketing services groups.

Managing our business

These excellent results have been achieved by concentrating on organic growth – we have focused on winning new business and on integrating the companies in the Group more closely than ever so that we can capitalise on the synergies between them.

At a time when many agencies are preoccupied with retaining clients, our net new business revenue was much higher than it was in the 2008 financial year: £15 million compared to £9 million. Across the Group we have had outstanding pitch-to-win ratios, especially from TMW, our digital and direct marketing agency, which has won over half of all the pitches it has been involved in, and DLKW, which has won more than two thirds of its pitches. We have also been winning substantial accounts: for example, our local marketing communications company, EMO, won the Jaguar, Land Rover and Toyota accounts this year, as well as the local marketing communications for the Government Central Office of Information 'Smokefree' campaign.

We have achieved this through a combination of groundbreaking consumer insight, strategies that link the services we provide to clear business results, outstanding creative work and – vitally at this time – cost-effective solutions to meet our clients' needs.

We can only do this if our agencies, whatever their specialisation, continue to work closely together. We generated an estimated £2 million of additional revenue for the Group in the year through synergy referrals. For instance, in December 2008, PAN Advertising and DLKW announced a successful first collaboration in winning the creative pitch for Flibanserin from manufacturer Boehringer Ingelheim. The agencies combined forces as part of a bespoke Creston Health team, designed to deliver expertise in healthcare communication together with leading consumer insight, strategy and creative.

Putting digital at the heart of our business

Creston has committed to digital communications being at the heart of its offering. Digital is the fastest growing part of our business and it represented 28 per cent of Group revenues in 2009 (2008: 19 per cent). While other groups claim the same expertise, we believe the way we treat these vitally important channels gives Creston a fundamental advantage.

Traditionally, the agency model has pushed clients to choose the channel first and the agency second, so by the time they contact the agency, budgets for research, advertising, PR or direct marketing have already been allocated. Even when the agencies were in the same group, they tended to act independently of each other, even competing for the same budget.

As an industry we have been here before. In the early days of television, the industry responded by supplementing generalist advertising agencies with television advertising agencies, before realising the obvious: they were doing the same job.

The speed with which the digital space is evolving and the way in which our customers and prospects are integrating digital communications into their lives, is fundamentally changing the rules for both clients and agencies. Clients who are prepared to be flexible and adapt to these changes can gain real advantages both in the returns they get from their communications budget and in developing new and exciting insights into the behaviour of these customers and prospects. However, to achieve this they require advanced digital skills combined with the disciplines, approaches and experiences of the more traditional agencies. Only this approach really allows digital to take its appropriate place in the total communication mix, rather than operating as an add-on across multiple campaign strategies and ideas.

To ensure we approach digital as a combined group we created the Digital Forum that spans all Creston companies. The Digital Forum involves senior representatives from each agency sharing digital experiences, developing joint initiatives and client responses and importantly, developing additional specialist digital services, such as search optimisation and mobile marketing, which can then be taken up across the Group by agencies and clients. For example, in March 2009, the Forum launched a social media campaign planning service, to help brands engage more effectively with consumers in the social media space. The offer is supported by the collective experience and knowledge of Creston's digital practitioners, and recent Omnibus research carried out by ICM Research. The strategic framework has already been adopted by a number of Creston clients, with campaigns for PayPal and Unilever's Lynx launching imminently.

Our formula for success

Helping clients grow their brands in a rapidly-changing consumer world

Growth

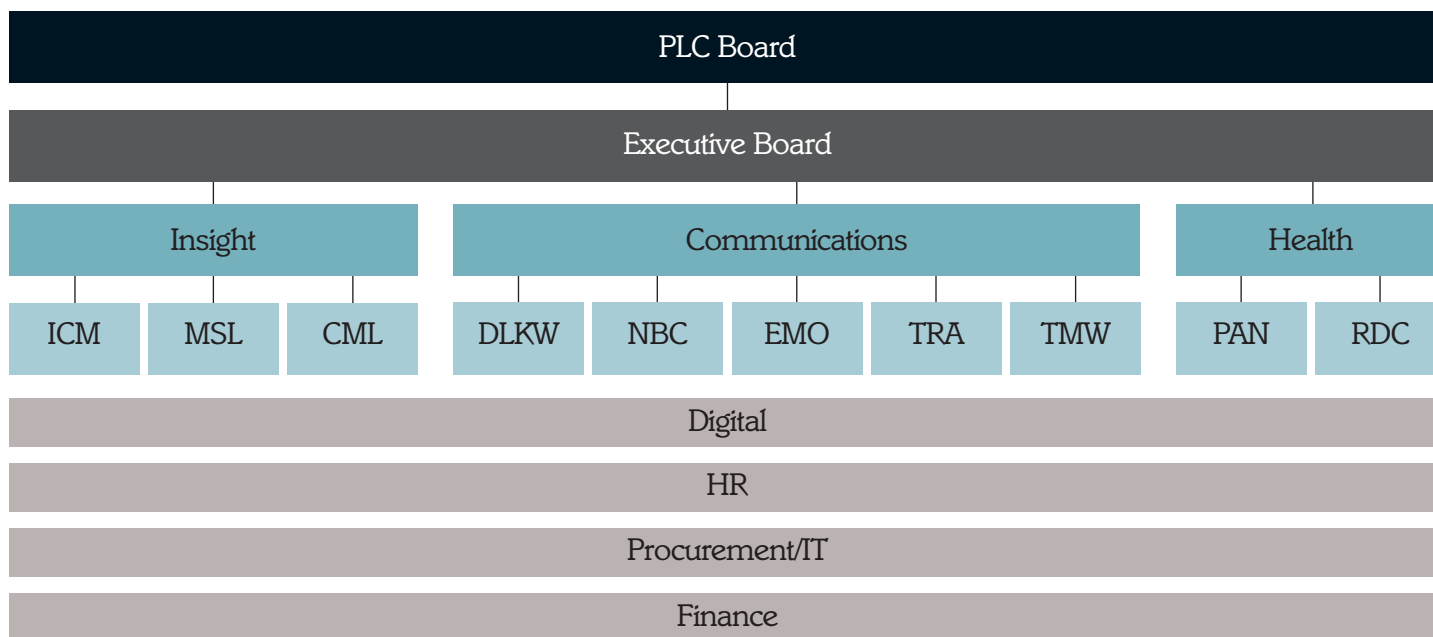
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*Sharing
knowledge*

*Innovative
approach*

*Specialist
expertise*

Our Group structure



The next steps

Marketing and communications are undergoing radical changes and the financial pressures of the current recession have accelerated this process. While no one wishes for a difficult market, we are confident that the speed with which we can effect change continues to validate our long-term strategy which has been consistent since day one: we are an insight and communications group for the 21st century.

To do this we have to excel in three areas. Firstly, and most importantly, we have to show creative excellence across a range of digital platforms, and make them an integral part of our offering. Secondly, we have to create a truly integrated group that eliminates duplication of effort, so that the client receives the best advice and achieves the best results no matter what the medium. Finally, we have to create an efficient structure which allows all our companies to flourish, while preserving financial and operational accountability.

Working closer together

Having grown by the successful acquisition of best-in-class marketing services companies, we are in the enviable position of having a portfolio of successful companies that represent some of the best thinking in their respective specialisms. We are proud of the people who have built these businesses but their ability and insight is many times more valuable when it is shared across the Group. That is why we have organised our portfolio of agencies into three divisions – Insight, Communications and Health, effective from 1 April 2009.

This allows us to truly offer a full service, not just the elements of it. Looking forward, we have prioritised three areas in which we can push forward the process for integration:

- creating centres of excellence;
- developing and sharing best practices; and
- cutting out duplication.

The work in these areas is already under way, as we create a culture of shared services across the Group in our new divisional structure.

Chairman and Chief Executive's Statement continued

Improving our structure

We have been working hard to accelerate the synergies across the Group and have reshaped the operational structure to bring more focus to the process. The Partners' Board has been replaced with an Executive Board, which reports to the Creston plc Board and comprises Barrie Brien, the Chief Operating and Financial Officer; Nick Sparrow, the Head of the Insight Division; Chris Warren and Richard Warren, the Joint Heads of the Communications Division; and Catherine Warne and Ben Davies, the Joint Heads of the Health Division. The Executive Board is chaired by Don Elgie, the Group Chief Executive Officer.

The new Heads of the Insight, Communications and Health Divisions are responsible for their divisions' financial performance. The new structure will retain the entrepreneurial spirit that has driven our growth to date, and has been combined with an incentive scheme to reward working more closely across the Group. Senior staff are rewarded for the performance of their company, division and of the Creston Group as a whole.

Our companies can now draw on a portfolio of shared services to create a lean structure that is well placed to grow. Most importantly, our digital expertise is shared across the Group, but we also intend to share back-office functions: human resources, procurement, IT and finance as Group functions. In this way we can retain our distinctiveness and individuality in client-facing activities, while sharing the important supporting activities.

How we grow

To be a credible insight and communications group for the 21st century, we have concentrated on acquiring best-in-class assets to bring that positioning alive. While we remain open to 'in-fill' acquisitions in the UK within the confines of affordability, this is not currently our priority. Our streamlined structure and adoption of best practices across the Group will integrate our assets more fully.

We are proud of our growth, but our £138 million turnover still represents a small fraction of what is estimated to be a £25 billion market in the UK alone. We are growing market share against traditional advertising, research and marketing groups, particularly through our approach to digital and on-line activity.

We recognise that to continue to grow organically we need to expand internationally. Already 21 per cent of our revenues (2008: 17 per cent) come from international business. This is either 'virtual' – handled from our existing offices – or serviced through a network of affiliates. An example is our Nissan account, which now covers 27 countries – all handled from the UK.

Dividend

In the year, the Group has achieved robust growth in earnings and cash flow. Despite this, the Board believes it needs to take account of the UK economic outlook, shareholders' general sentiment to reduce the Company's gearing levels and the continued need to invest in the digital offer. The Board therefore feels it is both prudent and appropriate to reduce the annual dividend for this financial year and recommends no final dividend (2008: 1.80 pence per share), giving a total dividend of 0.73 pence per share in respect of the financial year to 31 March 2009 (2008: 2.77 pence per share).

Our employees

We are nothing without the talent, dedication and hard work of all our employees. As we continue to drive change and create a new type of insight and communications group, we rely on their ambition and dedication to our clients to make that happen. Examples of our employees' achievements can be found on pages 10 to 15 and the Board as a whole would like to thank each and every one for their strong performance in the year to 31 March 2009.

Post year end Placing

On 7 July 2009, the Company announced the Placing of 5,576,100 new Ordinary Shares at 60 pence per share to raise approximately £3.3 million (gross) for the Company. The new Ordinary Shares represented approximately 10 per cent of the Company's issued share capital. The Placing was fully subscribed to and dealings in the new shares commenced on 10 July 2009. At the time of the announcement the Board commented it was pleased to have made this limited capital raising with long-term shareholders to enable it to bring forward its organic growth plans, particularly in the areas of mobile, digital and healthcare marketing.

The year ahead

Creston has demonstrated that its business model is resilient after eight consecutive years of growth since its launch in 2001 as a marketing services group. Our business has shown strength in even the most difficult of economic conditions. We believe our new divisional structure, together with our proven expertise in the digital environment, will continue to serve us well in the coming year when the world's economies begin to climb out of recession.

Don Elgie
Chief Executive Officer

David Marshall
Non-Executive Chairman