



23 June 2009

**Creston plc**

**Unaudited Preliminary Financial Results for the Year Ended 31 March 2009**

Creston plc (“Creston” or “the Group”) (LSE: CRE), the insight and communications group, today announces its preliminary financial results for the year ended 31 March 2009.

**Highlights**

- Robust revenue growth of 4%
- Headline PBT growth of 5%
- Growth of 56% in digital and online to 28% of Group revenues (2008: 19%)
- Headline operating profit margin constant at 19% after head office costs
- Operating cash flow increased by 17% to £20.8 million (2008: 17.8 million) after cash conversion to Headline EBITDA of 116% (2008: 102%)
- The ratio of net debt to Headline EBITDA of 1.0 (2008: 1.0)
- Dividend paid for the year of 0.73 pence per share (2008: 2.77 pence per share)
- Net annualised new business wins of £15 million (2008: £9 million) include: Aviva, BMI Healthcare, COI (anti-smoking community), General Motors Europe (Insignia), GSK, House of Fraser, Invesco Perpetual, Jaguar, Land Rover, Marie Curie, Pfizer, Sainsburys Business Direct, Spicers, Takeda, the trainline.com, Toyota, Trinity Mirror, Unilever (Liptons, Lynx, PG Tips and Knorr) and Xchanging.

**Financial Results**

	Headline results**			Reported results		
	2009	2008	Change	2009	2008	Change
	£m	£m		£m	£m	
Revenue	83.8	80.5	+ 4%	83.8	80.5	+ 4%
PBIT*	15.6	15.2	+ 2%	12.3	12.7	- 3%
EBITDA	18.0	17.5	+ 3%	14.7	14.9	- 2%
Pre-tax profit	14.2	13.5	+ 5%	10.0	9.6	+ 5%
Diluted EPS (pence)	18.58	17.01	+ 9%	12.10	8.64	+ 40%
Dividends per share (pence)	2.53	2.73	- 7%	2.53	2.73	- 7%

\* Profit before Interest and Tax (PBIT) is defined as Profit before finance income, finance costs, income from financial assets and taxation.

\*\* A reconciliation between Headline and Reported results is presented in note 4.

Commenting on today’s announcement, Don Elgie, Group Chief Executive, said:

“Delivering a solid year of growth in revenue, profit and cash flow during this economic climate bears testament to the quality and reputation of our companies and management teams. We continued to grow our market share, driven by the excellent net new business performance and this provides good visibility for the year ahead.

This robust performance has been driven firstly, by our weighting towards market research, integrated digital communications and healthcare marketing; and secondly, by delivering effective accountable work to a blue chip client list.

Our strategic priorities remain unchanged for the coming year. We will invest in our people and our market offer, with the clear vision to deliver a market leading performance to our clients and shareholders.

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.”

A meeting for analysts will be held today at 9.30 am at Investec, 2 Gresham Street, London, EC2V 7QP. Please contact Jennifer Kelly at Hogarth on telephone: 020 7357 9477 for details.

**For further information, please contact:**

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## **Chairman and Chief Executive 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 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 focussed 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 by 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 been already 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 are 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, a Creston group company. The strategic framework has already been adopted by a number of Creston clients, with campaigns for PayPal and Unilever's Lynx launching imminently.

### **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.

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
- cutting out duplication.

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

### **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.

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 paid for 2009 of 0.73 pence per share (2008: 2.77 pence per share).

### **Our staff**

We are nothing without the talent, dedication and hard work of all our staff. 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. You will read examples of our staff's achievements in the 2009 Report and Accounts 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.

### **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

## **Financial Review**

### **Financial Highlights**

Despite a worsening UK economy for much of our financial year, the performance of the Group has been positive. Our key financial priorities during the year were to capitalise on the investments we made in our client offer in 2008, maintain our industry leading margins and continue to reduce our debt and gearing levels. These have certainly been achieved and we enter the new financial year with good momentum.

In the financial year to March 2009, revenue increased by 4 per cent (2008: 8 per cent) to £83.8 million (2008: £80.5 million). This has been achieved through organic growth from existing clients and strong new business performance across the Group. Headline PBIT increased by 2 per cent to £15.6 million (2008: £15.2 million); and Headline Profit before Taxation (PBT) increased by 5 per cent to £14.2 million (2008: £13.5 million). Reported PBIT decreased by 3 per cent to £12.3 million (2008: £12.7 million) and Reported PBT increased by 5 per cent to £10.0 million (2008: £9.6 million). The difference between the respective movements in Reported PBIT and PBT is generated by the year on year volatility of the deemed remuneration and notional interest charges.

### **Key Performance Indicators**

The Group continues to manage its operational performance through a number of key performance indicators (KPIs) and each of these remains in the upper quartile compared to the industry averages. Revenue per head increased by 1 per cent to £91,300 (2008 restated: £90,100); Headline PBIT per head remained high at £17,000 (2008 restated: £17,100); the Group achieved its third highest Headline PBIT margin at 18.6 per cent (2008: 18.9 per cent); and Headline DEPS grew by 9 per cent to 18.58 pence (2008: 17.01 pence). Reported DEPS grew by 40 per cent to 12.10 pence (2008: 8.64 pence). The 2008 per head KPIs have been restated to include freelance / non-permanent resource.

### **Cash flow performance**

Due to the declining UK economy and the increased risk of bad debt, one of our financial priorities was to focus on our working capital balances and cash management. In this respect our performance has been strong with all companies managing their working capital in an efficient manner. Furthermore, the Group exceeded management's operating cash flow projection, thereby reducing the net debt levels.

In 2009, the Group delivered an increase in operating cash flow of 17 per cent to £20.8 million (2008: £17.8 million). The cash conversion ratio of Headline EBITDA to operating cash flow was 116 per cent (2008: 102 per cent), which is above management's long term target of 95 per cent. Free cash flow (defined as Operating cash flow having deducted taxation, net finance income / (cost), income from financial assets and capital expenditure) per share increased by 39 per cent to 26.56 pence (2008: 19.06 pence).

The Group's free cash flow of £14.5 million (2008: £10.6 million) plus the revolving credit facility were used to settle consideration liabilities due to DLKW (£13.9 million) and NBC (£1.4 million); bank repayments (£0.6 million); and dividends to shareholders (£1.4 million).

Capital expenditure for 2009 was £1.4 million (2008: £1.9 million) with the main categories of investment being in IT hardware and software plus minimal leasehold improvements.

### **Insight Division**

The Insight Division accounts for 20 per cent of Group revenue (2008: 22 per cent) and 24 per cent of Group Headline PBIT (2008: 29 per cent). The division has contributed revenue of £16.7 million (2008: £17.9 million) and Headline PBIT of £4.5 million (2008: £5.3 million). On a Reported basis, PBIT is £4.3 million (2008: £5.2 million). The Headline PBIT margin remains above industry norms at 27 per cent (2008: 30 per cent).

As reported in the company's Interim statement in November 2008, the robust underlying performance from MSL and ICM has been offset by the underperformance of the division's niche offerings from the subsidiaries CML and MSTs. Those two agencies operate in the qualitative and sensory/concept testing research sectors respectively, both of which are very short term project based businesses with no long term tracking studies.

These companies therefore often have little visibility of future business and due to their size, they do not have the critical mass to absorb client churn and budget cuts. Consequently, we have discontinued MSTS and transferred its sensory and concept testing function to MSL. The closure of MSTS has resulted in £78,000 (included within restructuring costs - see note 4) of non-recurring costs.

The online research product offering, newvista research, continues to perform well, with revenue growth of 16 per cent. This growth continues to be largely substitutional as clients switch spend from traditional research towards online. However, in our experience, our strategy of offering all three forms of face-to-face, telephone and online research meets with client needs and demands.

### **Communications Division**

The Communications Division, which accounts for 80 per cent of Group revenue (2008: 78 per cent) and 76 per cent of Headline PBIT (2008: 71 per cent), has delivered another year of growth with revenue increasing by 7 per cent to £67.1 million (2008: £62.6 million) and Headline PBIT increasing by 9 per cent to £14.3 million (2008: £13.1 million). Reported PBIT increased by 3 per cent to £12.0 million (2008: £11.7 million).

This growth was generated firstly, through our ability to meet the continued client demand for digital and on-line marketing solutions; and secondly, by a track record of organic growth from many of our existing portfolio of blue chip clients, in addition to winning substantial new clients especially during the first half-year.

The key performance measures remain in the upper quartile for the industry averages. Revenue per head increased by 3 per cent to £89,100 (2008 restated: £86,300), whilst Headline PBIT per head increased by 5 per cent to £18,900 (2008 restated: £18,000). The Headline PBIT margin remains high at 21 per cent (2008: 21 per cent). The 2008 per head KPIs have been restated to include freelance / non-permanent resource.

### **Balance sheet, net debt and gearing**

The balance sheet continued to strengthen during the year: total equity rose by £5.0 million to £87.9 million generated by the increase in earnings; long term liabilities reduced by £16.6 million; and working capital decreased to £3.0 million (2008: £6.8 million).

At 31 March 2009, the Group had reported net debt of £18.6 million (2008: £17.9 million), which represents a gearing level of 21 per cent (2008: 22 per cent) to total equity. Including deferred consideration of £22.3 million (2008: £29.5 million), the Group's total debt reduced to £40.9 million (2008: £47.4 million). On this basis the Group's gearing fell to 47 per cent (2008: 57 per cent).

The £0.8 million increase in net debt is due to the settlement in January 2009 of £13.9 million in respect of DLKW's final acquisition consideration, the majority of which was paid out of operating cash flow. The positive operating cash flow has continued post period end and resulted in a reduced net debt position of £13.7 million by 19 June 2009.

A primary objective of the Board is to continue to decrease the debt levels of the Group and the Board remains confident that between the strong cash flow performance and the agreed banking facility, the long term liabilities are manageable with headroom in all banking covenants.

### **Headline Deferred Consideration**

All remaining earn out agreements ended as at 31 March 2009 and therefore the Headline deferred consideration (defined as the total balance due to vendors, being the reported balance at 31 March 2009 plus future deemed remuneration and notional finance costs, which will be charged to the income statement in 2010) is no longer contingent upon future profits.

The total Headline deferred consideration is £23.0 million (2008: £31.6 million) and will be settled in a mixture of six and twelve month loan notes that are redeemable in January 2010 and July 2010 respectively. The Group will utilise the £25 million revolving credit facility and the annual cash flow from operating activities (2009: £17.4 million) to finance its deferred consideration commitments. References to total Headline Debt include the reported net debt balance and the Headline deferred consideration defined above.

### **Banking Facility and Covenants**

In June 2008 the Group agreed a revised £40 million banking facility, which is made up of a £15 million term loan amortising until 31 March 2011 and a £25 million revolving credit facility available until 31 March 2012. At the year end, £7 million had been drawn from the revolving credit facility and as at 19 June 2009 before the preliminary announcement this has been repaid, so there were no funds drawn against the facility. There are three banking covenants and the Group maintains headroom under each of them.

#### **Net finance costs**

Headline net finance costs were £1.6 million (2008: £1.7 million). This decrease was driven by the positive cash performance of the Group during the year plus the reduction in LIBOR. The average margin over LIBOR paid was 1.1 per cent during the year. Headline net finance costs were covered 11 times (2008: 10 times) by Headline EBITDA. The reported net finance cost was £2.4 million (2008: £3.1 million), which includes notional finance costs of £0.9 million (2008: £1.4 million) relating to the future deferred consideration payments.

#### **Effective tax rate**

The Group's effective Headline tax rate was 29 per cent (2008: 30 per cent). The Reported effective tax rate was 34 per cent (2008: 50 per cent). The effective Headline tax rate decreased due to the reduction in the statutory corporation tax rate. The effective Reported tax rate decreased as a result of a reduction in non-tax allowable items such as notional interest and elements of deemed remuneration.

#### **Basis of Headline results**

Creston has presented Headline results as the key profit performance indicators because they eliminate the non-recurring charges incurred during the year and therefore, provide a truer picture of the underlying ongoing operational performance of the Group year-on-year. The Headline results in 2009 exclude the following items (as detailed in note 4 to the preliminary results):

1. notional finance costs on future deferred consideration payments;
2. future acquisition payments due to employees deemed as remuneration;
3. non-recurring operational costs associated with discontinued operations and restructuring;
4. the impairment of a minority investment; and
5. adviser fees on the aborted offer for the company in October 2008.

#### **Summary**

The results for the March 2009 financial year represent a robust performance in a tough economic climate. The Group has made excellent progress against its financial and operational goals: it has grown revenue and profit, maintained industry leading margins and KPIs and continued the ongoing reduction in its total Headline debt levels by a further £8 million.

The financial year has started with some high profile new business wins and the pipeline remains encouraging. These wins plus new clients gained in the second half of the last financial year are providing good visibility of future earnings. Our financial priorities are to continue the reduction in gearing levels, closely manage our cost base, to maintain our industry leading key performance indicators and to grow organically.

Barrie Brien  
Chief Operating and Financial Officer

## Consolidated Income Statement

	Note	Unaudited 2009 £'000	Audited 2008 £'000
Turnover (billings)	3	138,472	137,257
Revenue	3	83,795	80,516
Operating costs		(71,492)	(67,830)
Profit before finance income, finance costs, income from financial assets and taxation	3	12,303	12,686
Finance income		45	77
Finance costs		(2,487)	(3,187)
Income from financial assets		150	-
Profit before taxation	3	10,011	9,576
Taxation		(3,414)	(4,794)
Profit for the financial year		6,597	4,782
Basic earnings per share (pence)	5	12.21	8.65
Diluted earnings per share (pence)	5	12.10	8.64

## Consolidated Balance Sheet

	Note	Unaudited As at 31 March 2009 £'000	Audited As at 31 March 2008 £'000
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	7	122,856	119,565
Other		1,582	1,440
Property, plant and equipment		2,514	3,622
Financial assets – available for sale		550	550
Deferred tax asset		800	786
		128,302	125,963
<b>Current assets</b>			
Inventories and work in progress		1,665	1,932
Trade and other receivables		30,814	34,583
Cash and short term deposits		2,828	3,785
		35,307	40,300
<b>Current liabilities</b>			
Trade and other payables		(29,984)	(29,204)
Corporation tax payable		(2,026)	(2,069)
Obligations under finance leases		(8)	(39)
Bank overdraft, loans and loan notes		(9,823)	(7,189)
Provisions for other liabilities and charges		(19,413)	(13,757)
		(61,254)	(52,258)
Net current liabilities		(25,947)	(11,958)
Total assets less current liabilities		102,355	114,005
<b>Non current liabilities</b>			
Bank loans and loan notes		(11,600)	(14,400)
Provisions for other liabilities and charges		(2,887)	(16,701)
		(14,487)	(31,101)
Net assets		87,868	82,904
<b>Equity</b>			
Called up share capital		5,576	5,576
Share premium account		33,345	33,345
Own shares		(1,054)	(233)
Shares to be issued		2,706	2,447
Other reserves		31,357	31,357
Retained earnings		15,938	10,412
Total equity		87,868	82,904

## Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Other reserves £'000	Shares to be issued £'000	Total £'000
<b>Changes in equity for 2009 (Unaudited)</b>							
At 1 April 2008	5,576	33,345	(233)	10,412	31,357	2,447	82,904
Profit for the year	-	-	-	6,597	-	-	6,597
Credit for share based incentive schemes	-	-	-	-	-	654	654
Exercise of Share award	-	-	114	-	-	(355)	(241)
Loss on treasury scheme / employee benefit trust	-	-	-	(74)	-	-	(74)
Gain on treasury scheme / employee benefit trust	-	-	-	13	-	-	13
Fair value adjustment of own shares	-	-	-	315	-	-	315
Own shares purchased	-	-	(935)	-	-	-	(935)
Transfer of lapsed option costs	-	-	-	40	-	(40)	-
Dividends (note 6)	-	-	-	(1,365)	-	-	(1,365)
At 31 March 2009	5,576	33,345	(1,054)	15,938	31,357	2,706	87,868

	Share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Other reserves £'000	Shares to be issued £'000	Total £'000
<b>Changes in equity for 2008 (Audited)</b>							
At 1 April 2007	5,576	33,345	(104)	7,032	31,357	1,998	79,204
Profit for the year	-	-	-	4,782	-	-	4,782
Credit for share based incentive schemes	-	-	-	-	-	567	567
Own shares purchased	-	-	(129)	-	-	-	(129)
Transfer of lapsed option costs	-	-	-	118	-	(118)	-
Dividends (note 6)	-	-	-	(1,520)	-	-	(1,520)
At 31 March 2008	5,576	33,345	(233)	10,412	31,357	2,447	82,904

## Consolidated Cash Flow Statement

	Note	Unaudited 2009 £'000	Audited 2008 £'000
Operating cash flow	8	20,829	17,796
Tax paid		(3,447)	(3,661)
Net cash inflow from operating activities		17,382	14,135
Investing activities			
Finance income		45	77
Income from financial assets		150	-
Purchase of subsidiary undertakings		(15,284)	(3,949)
Purchase of property, plant and equipment		(1,149)	(1,681)
Sale of property, plant and equipment		37	187
Purchase of intangible assets		(284)	(235)
Proceeds from vendors under sale and purchase agreement		935	-
Net cash (outflow) from investing activities		(15,550)	(5,601)
Financing activities			
Finance costs		(1,703)	(1,933)
Share repurchases		(935)	(129)
Increase/(decrease) in borrowings (net)	9 / 10	1,243	(2,800)
Dividends paid	6	(1,365)	(1,520)
Capital element of finance lease payments		(29)	(22)
Net cash (outflow) from financing		(2,789)	(6,404)
(Decrease)/increase in cash and cash equivalents	9	(957)	2,130
Cash and cash equivalents at start of year	10	3,763	1,633
Cash and cash equivalents at end of year		2,806	3,763

## Notes:

### 1. Basis of Preparation

The financial information set out herein does not constitute the company's statutory accounts for the years ended 31 March 2009 or 2008. Statutory accounts for 2008 have been delivered to the registrar of companies. The auditors have reported on these 2008 accounts and their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 237(2) or (3) of the Companies Act 1985. Copies of the statutory accounts for 31 March 2009 will be distributed to shareholders in advance of the Annual General Meeting and will be delivered to the registrar of companies upon approval.

The information has been prepared in accordance with the EU-adopted International Financial Reporting Standards (IFRS) and IFRIC interpretations and with those parts of the Companies Act 1985 which are applicable to companies reporting under IFRS, however, this preliminary announcement in itself does not contain sufficient information to comply with IFRS.

### 2. Accounting policies

The preliminary results were prepared in accordance with the prior year accounting policies subject to the following standards, amendment and interpretations which were effective in 2009:

- (i) IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables;
- (ii) IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. It has not had any impact on the Group's accounts;
- (iii) IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements; and
- (iv) IFRIC 11 (IFRS 2), "Group and treasury share transactions." The adoption of this standard has not led to any change in the Group's accounting policies.

The following standards and interpretations are effective in 2009 but are not relevant to the Group's accounts:

- (i) IFRS 4, 'Insurance contracts';
- (ii) IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies';
- (iii) IFRIC 9, 'Re-assessment of embedded derivatives';
- (iv) IFRIC 12, 'Service concession arrangements'; and
- (v) IFRIC 13, 'Customer loyalty programmes';

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

- (i) IAS 21 (Amendment), Net investment in a foreign operation;
- (ii) IAS 23 (Amendment), Borrowing costs;
- (iii) IAS 39 (Amendment), Cash flow hedge accounting of forecast intragroup transactions;

- (iv) IAS 39 (Amendment), The fair value option;
- (v) IAS 39 and IFRS 4 (Amendment), Financial guarantee contracts;
- (vi) IFRS 6, Exploration for and evaluation of mineral resources;
- (vii) IFRIC 4, Determining whether an arrangement contains a lease;
- (viii) IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds;
- (ix) IFRIC 6, Liabilities arising from participating in a specific market – Waste electrical and electronic equipment;
- (x) IFRIC 11, IFRS 2 – Group and treasury share transactions;
- (xi) IFRIC 12, Service concession arrangements;
- (xii) IFRIC 13, Customer loyalty programmes;
- (xiii) IFRIC 14, IAS 19, The limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective from 1 January 2009);
- (xiv) IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 extends the scope of segmental reporting, but is not expected to have any significant impact on the Group’s financial statements;
- (xv) IAS 1 (Revised), ‘Presentation of financial statements – Comprehensive revision including a statement of comprehensive income’ (effective from 1 January 2009);
- (xvi) IFRS 3 (Revised), ‘Business combinations – Comprehensive revision on applying the acquisition method’ (effective from 1 July 2009); and
- (xvii) IFRIC 9 “IAS 39 – The limit on a defined benefit asset, minimum funding requirements and their interaction” (effective from 1 January 2009)

The Group does not consider that these Standards and Interpretations will have a significant impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect for periods commencing on or after 1 April 2009.

### 3. Segmental Analysis

Turnover, revenue, profit before finance income, finance costs, income from financial assets and taxation, capital expenditure, depreciation, amortisation, gross assets and gross liabilities attributable to Group activities are shown below.

#### Primary segmental analysis by business

2009 (Unaudited)	Insight £'000	Communications £'000	Head Office £'000	Group £'000
Turnover (billings)	28,213	110,259	-	138,472
Revenue	16,679	67,116	-	83,795
Profit/ (loss) before finance income, finance costs, income from financial assets and taxation (segment result)	4,272	12,042	(4,011)	12,303
Finance income	-	-	45	45
Finance costs	(298)	(582)	(1,607)	(2,487)
Income from financial assets	-	150	-	150
Profit before taxation	3,974	11,610	(5,573)	10,011
Taxation				(3,414)
Profit for the financial year				6,597
Other information				
Capital expenditure (excluding acquisitions)				
– Property, plant and equipment	152	995	2	1,149
– Intangible assets	-	198	86	284
Depreciation of property, plant and equipment	275	1,647	24	1,946
Amortisation of intangible assets	138	97	178	413

Balance sheet				
Segment assets	37,652	121,412	3,745	162,809
Unallocated deferred tax asset				800
Total assets				163,609
Segment liabilities	(3,569)	(23,189)	(46,957)	(73,715)
Unallocated current tax liabilities				(2,026)
Total liabilities				(75,741)

Consolidated total assets and liabilities at 31 March 2009 are split as:

	Assets £'000	Liabilities £'000
Non current	128,302	(14,487)
Current	35,307	(61,254)
	163,609	(75,741)

2008 (Audited)	Insight £'000	Communications £'000	Head Office £'000	Group £'000
Turnover (billings)	30,754	106,503	-	137,257
Revenue	17,885	62,631	-	80,516
Profit before finance income, finance costs, income from financial assets and taxation (segment result)	5,192	11,723	(4,229)	12,686
Finance income	-	-	77	77
Finance costs	(291)	(1,110)	(1,786)	(3,187)
Income from financial assets	-	-	-	-
Profit before taxation	4,901	10,613	(5,938)	9,576
Taxation				(4,794)
Profit for the financial year				4,782

#### Other information

Capital expenditure (excluding acquisitions)				
- Property, plant and equipment	214	1,444	23	1,681
- Intangible assets	-	118	117	235
Depreciation of property, plant and equipment	339	1,692	111	2,142
Amortisation of intangible assets	-	-	85	85

Balance sheet				
Segment assets	41,263	118,985	5,229	165,477
Unallocated deferred tax assets				786
Total assets				166,263
Segment liabilities	(9,722)	(44,850)	(26,718)	(81,290)
Unallocated current tax liabilities				(2,069)
Total segment liabilities				(83,359)

Consolidated total assets and liabilities at 31 March 2008 are split as:

	Assets £'000	Liabilities £'000
Non current	125,963	(31,101)
Current	40,300	(52,258)
	166,263	(83,359)

#### Secondary segmental analysis by geography

The following table provides an analysis of the Group's turnover and revenue by geographical market, irrespective of the origin of the services.

	Revenue		Turnover	
	2009 £'000 (Unaudited)	2008 £'000 (Audited)	2009 £'000 (Unaudited)	2008 £'000 (Audited)
UK	66,312	66,770	110,093	109,800
Rest of Europe	15,208	12,663	25,650	25,546
Rest of the World	2,275	1,083	2,729	1,911
	83,795	80,516	138,472	137,257

All significant assets and liabilities are located within the UK.

#### 4. Reconciliation of Headline profit to Reported profit

In order to enable a better understanding of the underlying trading of the Group, the Directors refer to Headline PBIT, PBT and PAT which eliminate non-recurring charges from the reported figures. These break down into two parts:

- (i) Certain accounting policies that have a material impact and introduce volatility to the reported figures. These are deferred consideration payments deemed as remuneration and notional finance costs on deferred consideration. These charges will cease once the relevant earn out obligations have been settled.
- (ii) Exceptional non-recurring operating charges, which, in 2009, consist of restructuring costs and close down charges relating to DLKW and MSTs respectively, the impairment of the Group's investment in TRA Asia and adviser fees incurred in connection with the aborted offer for the company. In 2008 these costs were associated with the closure of the Creston US office.

	<b>PBIT</b> <b>£'000</b>	<b>PBT</b> <b>£'000</b>	<b>PAT</b> <b>£'000</b>
2009 (Unaudited)			
Headline	15,605	14,193	10,128
Restructuring costs	(784)	(784)	(784)
TRA Asia investment impairment	(64)	(64)	(64)
Adviser fees on aborted offer	(160)	(160)	(160)
Future acquisition payments to employees deemed as remuneration	(2,294)	(2,294)	(2,294)
Notional finance costs on future deferred consideration	-	(880)	(880)
Taxation impact	-	-	651
Reported	12,303	10,011	6,597
2008 (Audited)			
Headline	15,248	13,539	9,418
Costs of US office	(586)	(586)	(586)
Future acquisition payments to employees deemed as remuneration	(1,976)	(1,976)	(1,976)
Notional finance costs on future deferred consideration	-	(1,401)	(1,401)
Taxation impact	-	-	(673)
Reported	12,686	9,576	4,782

## 5. Earnings per share

	2009 (Unaudited)			2008 (Audited)		
	Reported profit for the financial year £'000	Weighted average number of shares	Pence per share	Reported profit for the financial year £'000	Weighted average number of shares	Pence per share
Reported basis						
Basic earnings per share:						
Earnings attributable to ordinary shareholders	6,597	54,011,332	12.21	4,782	55,265,027	8.65
Dilutive effect of securities:						
Shares	-	507,041	(0.11)	-	-	-
Options	-	-	-	-	91,663	(0.01)
Diluted earnings per share	6,597	54,518,373	12.10	4,782	55,356,690	8.64
	2009 (Unaudited)			2008 (Audited)		
	Headline profit for the financial year £'000	Weighted average number of shares	Pence per share	Headline profit for the financial year £'000	Weighted average number of shares	Pence per share
Headline basis						
Basic earnings per share:						
Earnings attributable to ordinary shareholders	10,128	54,011,332	18.75	9,418	55,265,027	17.04
Dilutive effect of securities:						
Shares	-	507,041	(0.17)	-	-	-
Options	-	-	-	-	91,663	(0.03)
Diluted earnings per share	10,128	54,518,373	18.58	9,418	55,356,690	17.01

DEPS has been calculated based on the following dilutive elements:

- (i) An estimate of nil options (2008: 91,663) remain outstanding that would have been issued based on the average share price (this includes SAYE, EMI and unapproved options).
- (ii) An estimate of 507,041 shares (2008: nil) which will be issued to the Executive Directors in lieu of their annual cash bonus. This represents 50 per cent of their annual bonus and the number of shares issued is based on the average share price during the year. The actual number of shares awarded in lieu of the annual cash bonus will be based on the share price at the time of settlement. Had the shares been issued based on the share price on 19 June 2009 the equivalent number of shares issued would have been 351,335.

A reconciliation of the profit after tax on a reported basis and the Headline basis is given in note 4.

## 6. Dividends

	2009 £'000 (Unaudited)	2008 £'000 (Audited)
Amounts recognised as distributions to shareholders in the year		
Prior year final dividend of 1.80 pence per share (2008: 1.76 pence)	971	978
Interim dividend of 0.73 pence per share (2008: 0.97 pence per share)	394	542
	1,365	1,520

The Directors do not propose the payment of a final dividend (2008: 1.80 pence) in respect of the financial year ended 31 March 2009.

## 7. Goodwill

	Purchased goodwill £'000	Goodwill on consolidation £'000	Total £'000
Cost			
At 1 April 2007 (Audited)	3,432	119,552	122,984
Adjustments to consideration	348	(3,600)	(3,252)
Fair value adjustments	-	(167)	(167)
At 1 April 2008 (Audited)	3,780	115,785	119,565
Adjustments to consideration		3,218	3,218
Fair value adjustments	6	67	73
<b>At 31 March 2009 (Unaudited)</b>	<b>3,786</b>	<b>119,070</b>	<b>122,856</b>
Net book amount			
31 March 2009 (Unaudited)	3,786	119,070	122,856
31 March 2008 (Audited)	3,780	115,785	119,565

The adjustments to goodwill relate to a change in the estimated deferred consideration for agencies in the earn-out period under the terms of the relevant sale and purchase agreements.

At 31 March 2009 the following components of goodwill had been finalised as the earn out period had completed: ICM, PAN, RDC and TMW.

In accordance with the Group's accounting policy, the carrying values of goodwill and other intangible assets not subject to systematic amortisation are reviewed semi-annually for impairment. The review assesses whether the carrying value of goodwill could be supported by the present value of future cash flows derived from operating activities. Future cash flows are calculated with reference to each subsidiary's three year business plan (approved in March 2009) which is subject to a rigorous review and challenge process. The residual growth rate thereafter has been reduced from 3 – 5 per cent to a nominal rate of between zero and 2.5 per cent for all units.

In considering the discount rate applicable to the Group we have considered the following factors:

- (i) 12 month cost of debt; and
- (ii) The cost of equity based on a 2 year beta of 0.69. We consider this to be an appropriate period since the Group is of an acquisitive nature and therefore has changed significantly during the last five years. Since no acquisitions have taken place over the past two years, the Directors believe this period represents the most appropriate to the Group's circumstances.

The pre-tax discount rate, used to assess the carrying value of goodwill, is 7.9 per cent (2008: 7.4 per cent), which approximates the Group's weighted average cost of capital adjusted only to reflect the way in which the market would assess the specific risks associated with the estimated cash flows of the Group and excluding any risks that are not relevant to estimated cash flows of the Group. In arriving at this discount rate it was noted that the statutory tax rate and interest rates have fallen during the year - 12 month LIBOR having fallen over 50 per cent year on year.

The review performed at the year end did not result in the impairment of goodwill for any cash generating unit as the estimated recoverable amount exceeded the carrying value in all cases.

At 31 March 2009, had the Group used an industry average beta of 1.0, the weighted average cost of capital would have been 8.5 per cent. At this level the carrying value of goodwill could potentially be impaired by £300,000 or 0.2 per cent of the total.

If the estimated PBIT had been 10 per cent lower than management's estimate at 31 March 2009 then the carrying value of goodwill could potentially be impaired by £300,000 or 0.2 per cent of the total.

Components of goodwill at 31 March 2009 and 2008 are:

	2009 £'000 (Unaudited)	2008 £'000 (Audited)
Communications		
DLKW	30,533	30,537
TMW	28,539	25,059
PAN	9,599	9,599
Other	23,745	23,923
	<hr/> 92,416	<hr/> 89,118
Insight		
ICM	19,021	19,032
MSL	7,633	7,635
CML	3,786	3,780
	<hr/> 30,440	<hr/> 30,447
Total	<hr/> 122,856	<hr/> 119,565

The carrying value of goodwill for certain entities whose earn out finished prior to March 2009 has varied by a nominal amount during the year (DLKW, MSL and CML). This is due to the re-allocation of certain acquisition related costs during the year. The net impact of these adjustments on goodwill is nil.

#### 8. Reconciliation of profit before finance income, finance costs, income from financial assets and taxation to operating cash flow

	2009 £'000 (Unaudited)	2008 £'000 (Audited)
Profit for the year	6,597	4,782
Taxation	3,414	4,794
Profit before taxation	10,011	9,576
Income from financial assets	(150)	-
Finance costs	2,487	3,187
Finance income	(45)	(77)
Profit before finance income, finance costs, income from financial assets and taxation	12,303	12,686
Depreciation of property, plant and equipment	1,946	2,142
Amortisation of intangible assets	413	85
Share-based payments	109	(27)
Deemed remuneration	2,294	1,976
Profit on disposal of property, plant and equipment	17	(4)
Decrease in inventories and work in progress	267	3,148
Decrease / (increase) in trade and other receivables	2,834	(4,194)
Increase in trade and other payables	646	1,984
Operating cash flow	<hr/> 20,829	<hr/> 17,796

#### 9. Reconciliation of net cash flow to movement in net debt

	2009 £'000 (Unaudited)	2008 £'000 (Audited)
(Decrease) / increase in cash in the year	(957)	2,130
Cash outflow from movement in debt	2,788	2,865

Cash inflow from movement in debt	(4,000)	-
Movement in net debt in the year resulting from cash flows	(2,169)	4,995
Reduction of loan stock	15,275	2,212
Issue of acquisition loan notes	(13,866)	(3,335)
Net debt at 1 April	(17,865)	(21,737)
Net debt at 31 March	(18,625)	(17,865)

## 10. Analysis of net debt

	At 31 March 2008 £'000 (Audited)	Cash flow £'000	Acquisitions £'000	At 31 March 2009 £'000 (Unaudited)
Cash and short term deposits	3,763	(957)	-	2,806
Bank overdrafts and revolving credit facility	(3,000)	(4,000)	-	(7,000)
Acquisition loan notes	(1,432)	15,275	(13,866)	(23)
Bank loans	(17,157)	2,757	-	(14,400)
Finance leases	(39)	31	-	(8)
Net debt	(17,865)	13,106	(13,866)	(18,625)
Restricted cash deposits	22	-	-	22
Net debt including restricted cash deposits	(17,843)	13,106	(13,866)	(18,603)

No new finance leases were entered into during the year.

## 11. Business risks and uncertainties

Creston's principal operating risks and uncertainties are associated with the retention of key personnel and customers. In common with many businesses in the marketing services sector, the loss of certain key personnel could jeopardise the continuing success of the business. Many of these personnel have long-standing relationships with many of the Group's customers. The Group seeks to incentivise its key personnel through LTIP and other bonus arrangements and has a proven track record of retaining key personnel.

The Group derives a substantial amount of revenue from contracts with its major customers. The Group has instigated a system of customer satisfaction reviews to identify areas for improving the service and are continuously working towards reducing client concentration.

## 12. 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 £30,000 (2008: £30,000) for the services of Mr D C Marshall.

## 13. Directors' Responsibilities

The Directors are responsible for preparing the Preliminary Financial Results in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the Group and of the profit or loss of the Group. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Group financial statements comply with IFRSs as adopted by the European Union; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

#### **14. Availability of the Annual Report and Accounts**

Copies of the Annual Report and Accounts will be sent to shareholders in due course and are available from the Company's registered office at City Group P.L.C., 30 City Road, London, EC1Y 2AG and on the company's website [www.creston.com](http://www.creston.com)