

# Notes to the Creston plc Company Financial Statements

## 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 2006 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 and exercise restrictions. Details of the risk-free rate and dividend yield used to underpin these assumptions are included in note 27 to 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 profit and loss account.

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 to the Consolidated Financial Statements.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

### Tangible fixed assets

Tangible fixed assets are stated as historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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 is 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.

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## 1 Accounting policies *continued*

### 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 the 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:

	2010 £'000	2009 £'000
Auditors' remuneration	89	88
Depreciation – owned assets	196	202
Operating lease rentals – land and building	126	192

Auditors' remuneration may be analysed as follows:

	2010 £'000	2009 £'000
External audit services – fees payable for the audit of the parent Company and Consolidated Financial Statements	50	48
Non-audit services		
Advisory services	–	15
Other services	39	25
	89	88

## 3 Staff costs

	2010 £'000	2009 £'000
Wages and salaries	1,724	1,784
Social security costs	170	165
Share-based payments	70	797
	1,964	2,746

The average number of employees of the Company was 12 (2009: 12).

## 4 Tangible fixed assets

	Leasehold property £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2009	18	997	1,015
Additions	121	50	171
Disposals	(6)	(138)	(144)
<b>At 31 March 2010</b>	<b>133</b>	<b>909</b>	<b>1,042</b>
<b>Depreciation</b>			
At 1 April 2009	18	540	558
Charge for the year	20	176	196
Disposals	(6)	(138)	(144)
<b>At 31 March 2010</b>	<b>32</b>	<b>578</b>	<b>610</b>
Net book amount			
<b>At 31 March 2010</b>	<b>101</b>	<b>331</b>	<b>432</b>
At 31 March 2009	0	457	457

## 5 Investments

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 April 2009	150,574
Investment write-off	(4,115)
Additions and adjustments to consideration	11
<b>At 31 March 2010</b>	<b>146,470</b>
Net book amount	
<b>At 31 March 2010</b>	<b>146,470</b>
At 31 March 2009	150,574

CML was closed during the year. This led an investment write-off of £4,115,000.

The Directors believe that the carrying value of the investments are supported by their underlying net assets.

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 list of subsidiary undertakings are detailed in the Consolidated Financial Statements on page 67.

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## 6 Debtors

	2010 £'000	2009 £'000
Amounts owed by Group undertakings	1,339	787
Prepayments and accrued income	153	99
Other debtors	10	112
	<b>1,502</b>	998

## 7 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdraft and revolving credit facility	23,866	17,596
Trade creditors	281	129
Amounts owed to Group undertakings	49	1,390
Corporation tax	–	502
Social security and other taxes	738	812
Accruals and deferred income	1,054	1,471
Other creditors	232	108
Acquisition loan notes	3,087	23
Acquisition deferred consideration	–	16,527
Bank loan	11,600	2,800
Derivative financial instrument	188	–
	<b>41,095</b>	41,358

## 8 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Acquisition deferred consideration	–	2,887
Bank loan	–	11,600
	–	14,487

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

## 9 Borrowings

	2010 £'000	2009 £'000
Bank overdraft and revolving credit facility	23,866	17,596
Bank loans	11,600	14,400
Loan notes	3,087	23
	<b>38,553</b>	32,019
Due within one year or on demand	<b>38,553</b>	20,419
Due in more than one year but not more than two years	–	11,600
	<b>38,553</b>	32,019

## 10 Deferred taxation

The deferred taxation asset of £162,000 (2009: £189,000) recognised in the Financial Statements is set out below:

	2010 £'000	2009 £'000
Accelerated capital allowances	23	–
Share-based payments	139	189
	<b>162</b>	189

The movement in the year is analysed as follows:

	2010 £'000	2009 £'000
As at 1 April	189	593
Profit and loss account	(27)	(404)
As at 31 March	162	189

## 11 Operating lease commitments

As at 31 March 2010, the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2010 Land and buildings £'000	2009 Land and buildings £'000
In one year or less	–	42
Between one and five years	125	–
	<b>125</b>	42

## 12 Called up share capital, own shares held and share premium account

The movements on these items are disclosed within the Consolidated statement of changes in equity within the Consolidated Financial Statements.

## 13 Reconciliation of movements in shareholders' funds

	Special reserve £'000	Other reserve £'000	Capital redemption reserve £'000	Shares to be issued £'000	Profit and loss account £'000
At 1 April 2009	2,385	28,365	72	2,706	24,050
Profit for the year	–	–	–	–	8,226
Loss on treasury scheme/employee benefit trust	–	–	–	–	(11)
Gain on treasury scheme/employee benefit trust	–	–	–	–	185
Fair value adjustment of own shares	–	–	–	–	696
Credit for share-based incentive scheme	–	–	–	11	–
Exercise of share award	–	–	–	(1,202)	–
Transfer of lapsed option costs	–	–	–	(54)	54
<b>At 31 March 2010</b>	<b>2,385</b>	<b>28,365</b>	<b>72</b>	<b>1,461</b>	<b>33,200</b>

## 14 Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The profit for the financial year relating to the Company amounted to £8,226,000 (2009: £5,406,000).

## 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 £61,435 (2009: £65,143) were paid to City Group P.L.C., £31,435 (2009: £35,143) for the provision of secretarial services and assistance on the acquisitions and £30,000 (2009: £30,000) for the services of Mr D C Marshall.