

Report of the Directors

The Directors present their report together with the audited Financial Statements for the year ended 31 March 2010.

Principal activities

The Group is principally engaged in insight and communications services, as described in the Chairman and Chief Executive's Statement and the operating review.

Business review and key risks

The information that fulfils the requirements of the business review can be found in the financial review on pages 28 to 29, the operating review on pages 16 to 27, and the Chairman and Chief Executive's Statement on pages 14 to 15, which are incorporated into this Report of the Directors by reference. 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 track record of retaining key personnel.

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

Results and dividends

The Group made a profit for the year after taxation of £5,133,000 (2009: £6,597,000). There was no interim dividend (2009: 0.73 pence per share) however, the Directors recommend the payment of a final dividend which is equal to 1.00 pence per share (2009: nil pence per share) equivalent to £613,373. This will give a total dividend for the year of 1.00 pence per share (2009: 0.73 pence per share). Dividends are detailed in note 11 to the Financial Statements.

Share capital

The Company issued 5,576,100 new Ordinary Shares during the year (2009: nil). Details of the Company's issued share capital are given in note 26 to the Financial Statements.

The Company is authorised to make purchases of its own shares and this authority is to be renewed in accordance with the Notice of Annual General Meeting.

Directors and their interests

The Company's Directors, who all served throughout the year (with the exception of Mr D Grigson who was appointed in November 2009), are detailed on pages 30 and 31 together with brief biographies.

Mr M R Wall, Mr D H Elgie and Mr D Grigson retire in accordance with the Articles of Association and being eligible offer themselves for reappointment. Mr D C Marshall has been a Non-Executive Director for more than nine years and in accordance with the Combined Code offers himself for annual reappointment to the Board. The Board has considered paragraph A7.2 of the Combined Code and believes that the members of the Board continue to be effective and to demonstrate commitment to their roles, the Board and the Group. They therefore have no hesitation in recommending the above Directors for reappointment at the forthcoming Annual General Meeting.

The beneficial interests of the Directors and their families on 1 April 2009 and 5 July 2010 in the share capital of the Company were as follows:

	5 July 2010 No. of Ordinary Shares	1 April 2009 No. of Ordinary Shares
Mr D C Marshall	–	–
Mr D H Elgie	1,938,479	1,796,639
Mr B C Brien	289,889	243,481
Mr M R Wall	24,453	–
Mr A J H Dougal	15,000	15,000
Mr D Grigson	10,000	–

Details of the Directors' interests in transactions are set out in note 31. Mr D C Marshall is a Director of Western Selection P.L.C. which held 3,000,000 Ordinary Shares of Creston plc at 1 April 2009 and at 5 July 2010 (2009: 3,000,000).

The Company maintains Directors' and officers' liability insurance.

Substantial interests

At 5 July 2010, the Company was aware of the following interests which represented 3 per cent or more of the Company's issued share capital:

	Number of shares	Percentage of capital %
BT Pension Scheme Trustees Limited	4,316,060	7.03%
Artemis Investment Management Limited	4,059,634	6.61%
Majedie Asset Management	3,815,522	6.22%
AXA Framlington Investment Management	3,356,045	5.47%
Western Selection P.L.C.	3,000,000	4.89%
Hermes Pensions Management	2,961,344	4.82%
Gartmore Investment Limited	2,529,522	4.12%
Standard Life Investments Limited	2,505,334	4.08%
Mr D H Elgie	1,938,479	3.16%

Takeover Directive disclosures

The following disclosures are made in accordance with the requirements of the EU Takeover Directive.

As at 31 March 2010, the Company has only one authorised class of share, namely Ordinary Shares of 10 pence each, of which there were 61,337,338 in issue (2009: 55,761,238). There are no special arrangements or restrictions relating to any of these shares, whether in terms of transfers, voting or other rights, or relating to changes of control of the Company.

The Company does not have any special rules in place regarding the appointment and replacement of Directors, or regarding amendments to the Company's Articles of Association.

The Company has obtained authority from its shareholders to purchase its own shares through the Annual General Meeting. Details of the rights so authorised are set out in the Notice of Annual General Meeting which is a separate circular to this report.

There are no special conditions or agreements in place which would take effect, alter or terminate in the event of a takeover.

Supplier payment policy

It is the Group's intention to settle supplier invoices in line with their terms of business. The number of creditor days outstanding for the Company and for the Group at 31 March 2010 was 56 days (2009: 25 days) and 38 days (2009: 36 days) respectively.

Employees

Employees are incentivised via the operating company specific bonus schemes, corporate bonus schemes and the Group's LTIP scheme to ensure that senior employees have a chance to share in the Group's success.

Employees and their representatives are consulted regarding any changes to the business that may affect them. Employees are consulted regularly regarding market and industry developments to ensure that all relevant information affecting the Group is readily available.

The Group adopts a policy for giving full and fair consideration to applications for employment that disabled people make to the Company and ensures that there are relevant opportunities for training, career development and promotion of disabled people and for the continuing employment and training of employees who have become disabled while employed by the Company.

Charitable contributions

Charitable contributions for the year amounted to £13,000 (2009: £21,000) and were made to the bodies including History of Advertising Trust and Business in the Community.

Risk management policies and objectives

The Group's policy towards risk is that sound risk management is critical to the delivery of shareholder value. Risks that affect or may affect the business are identified, assessed and appropriate controls and systems are implemented to ensure that the risk is managed. The financial risk management policies and objectives are set out in note 23 to the Financial Statements.

Company registration number

The Company registration number is 210505.

Report of the Directors

continued

Going concern

The Financial Statements have been prepared on the going concern basis as the Board, having considered the Group's financial projections, borrowing facilities and other relevant financial matters, is satisfied that on the date of approving the Financial Statements the Group has a reasonable expectation that it has the resources to continue in business for the foreseeable future.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company Financial Statements respectively; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors whose names and functions are listed in the Board of Directors' section confirms that, to the best of his knowledge:

- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Report of the Directors starting on page 32 and the Chairman and Chief Executive's Statement, operating review and financial review contained on pages 14 to 29 includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces;
- there is no relevant audit information of which the Group's auditors are unaware; and
- have taken all of the steps that he ought to as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

City Group P.L.C.

Secretary
12 July 2010