

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 which have a material impact and introduce volatility to the Reported figures. These are deferred consideration payments deemed as remuneration and notional finance cost on deferred consideration. These charges will cease once all the relevant earn-out obligations have been settled; and
- (ii) exceptional non-recurring operating charges, which, in 2010, consist of restructuring costs, closure charges relating to CML and MSTs, and the goodwill write-off in respect of CML. In 2009 these included advisor fees incurred in connection with the aborted offer for the Company, the impairment of TRA Asia investment and restructuring costs.

	PBIT £'000	PBT £'000	PAT £'000
2010			
Headline	14,257	13,782	10,370
Restructuring costs	(922)	(922)	(922)
Goodwill write-off	(3,786)	(3,786)	(3,786)
Future acquisition payments to employees deemed as remuneration	(517)	(517)	(517)
Notional finance cost on future deferred consideration	-	(404)	(404)
Taxation impact			392
Reported	9,032	8,153	5,133
2009			
Headline	15,605	14,193	10,128
Restructuring costs	(784)	(784)	(784)
TRA Asia investment impairment	(64)	(64)	(64)
Advisor fees on aborted offer	(160)	(160)	(160)
Future acquisition payments to employees deemed as remuneration	(2,294)	(2,294)	(2,294)
Notional finance cost on future deferred consideration	-	(880)	(880)
Taxation impact			651
Reported	12,303	10,011	6,597

Creston requires up to 25 per cent of any deferred consideration payable as part of an earn-out to be paid to the non-shareholders of the acquired company. Creston believes this is an important driver in motivating employees, rather than just the shareholders, to grow the acquired company and outperform the market. This contingent consideration paid by Creston to non-shareholder employees in respect of the deferred consideration is deemed to be remuneration. The notional finance costs also relate to the deferred consideration. Both of these charges will cease once all earn-out obligations have been settled.