



CRESTON
plc

Insight and communications for the 21st century

Interim Report

For the six months ended
30 September 2010

Creston plc

“The nine per cent increase in first half revenue from continuing operations is testament to the abilities of our people to rise to the challenges of a weak economy. We have had a very active first half with a notable increase in new business opportunities and pitch successes, and we are encouraged by the gradual return of marketing budgets across our client base.

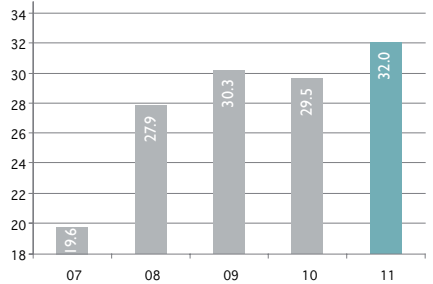
“Our commitment to investing in start-ups and acquisitions is unwavering and we continue to enhance the propositions of our three divisions of Insight, Communications and Health, with a focus on the continued development of digital capabilities and international growth. We are confident that following this period of investment our margins will return to historic levels, and we believe we are well positioned for the period ahead.”

Don Elgie,
Chief Executive

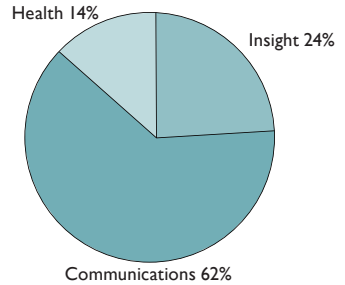
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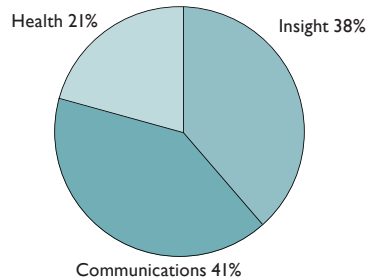
Interim Group Revenue (£m)
- Continuing Group



Interim Group Revenue by division (%)



Interim Group Headline PBIT by division (%)



Financial Highlights

- Revenue from continuing operations up 9 per cent to £32.0 million (HI 2010: £29.5 million)
- Headline¹ PBIT² of £4.4 million (HI 2010: £5.1 million), reflecting investment in start-ups and staffing for increased revenue
- Reported PBIT of £4.4 million (HI 2010: £0.6 million)
- Net cash of £0.2 million (March 2010 net debt: £24.9 million)
- Reinstatement of interim dividend of 0.75p per share (HI 2010: nil)

Operational Highlights

- Disposal of advertising business, DLKW Group, for a cash consideration of £28.0 million
- Digital and online now represent 41 per cent of revenue (HI 2010: 31 per cent)
- Formation of Intensity Digital Ltd to deliver integrated digital communications in healthcare
- Annualised net new business wins of £6 million in revenue (HI 2010: £4 million) include Astellas, BP Castrol, CA Technologies, Guinness digital, Intercontinental Hotel Group, Pfizer, Rolls Royce, Sony Europe, Twinings, ViiV Healthcare and a major international financial services company
- Post-balance sheet: Proposed acquisition of the trade and assets of Cooney/Waters, a leading New York based healthcare public relations business, and its subsidiary, Alembic Health Communications, for an initial cash consideration of \$9.4 million (£5.9 million)

Financial Results for Continuing Group³

	Headline results		Reported results	
	HI 2011	HI 2010	HI 2011	HI 2010
	£ million	£ million	£ million	£ million
Revenue	32.0	29.5	32.0	29.5
PBIT	4.4	5.1	4.4	0.6
PBT	4.2	4.8	4.2	0.2
Diluted EPS (pence)	5.06	6.49	5.02	-0.92
Dividend per share (pence)	0.75	-	0.75	-

¹ Headline results reflect the underlying performance of the Group and excludes deemed remuneration charges from the Reported results. A full reconciliation is presented in Note 4 to this Interim Report.

² Profit before Interest and Tax (PBIT) is defined as profit before finance income, finance costs, income from financial assets and taxation.

³ The Continuing Group excludes the discontinued operation, being DLKW (see note 7 to this Interim Report).

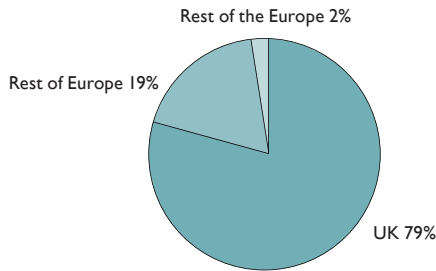
Chief Executive's Statement

In the first half of the year we sold our traditional advertising agency, DLKW, for £28.0 million, formed a new digital healthcare company, Intensity Digital Ltd, and on 30 November 2010 announced the acquisition of Cooney/Waters, a leading US healthcare PR agency. It has been an active period and as a result we believe the Group is better positioned than ever before to deliver clients the insight and communications that they require in today's digital age.

Looking at our established businesses, the past six months can be characterised by a general stabilisation of existing client budgets across much of the Group together with an increase in new business opportunities. Particularly strong demand for the services of EMO, our local marketing agency, and of Fever and Nelson Bostock in consumer and technology PR respectively, indicate a continuing trend in marketing spend towards services more directly engaging with consumers and the public.

Together, these factors have contributed to a very strong 9 per cent increase in revenue for the period on a continuing group basis. This compares favourably to the previous year's first half, where there was a 3 per cent decline. Revenue from both digital and international communications has grown at 20 per cent and 6 per cent respectively, and further development in these areas remains a key goal for Creston.

Revenue by Region (%)



As a natural consequence of the large increase in revenue and in line with the current market trends, we have experienced a short-term increase in staff costs. This, together with our continued investment in new initiatives, services and staff training, has impacted headline profit in the period. Going forward, the reduction in operating profit margin will be reversed as we focus on improving the profit conversion and margin on the increased revenue and target a return to our historic margins in the medium term.

Our strategy to drive growth is centred on our investment in start-ups and acquisitions, while underpinning this with innovation and collaboration across our divisions of Insight, Communications and Health.

Investing in start-ups is about delivering rapid responses to the increasing demand for innovation and digital capabilities across the marketing spectrum. Supporting those start-ups, our Centres of Excellence forge collaboration within and across our three divisions, thereby delivering efficiencies to clients while simultaneously providing them with new and effective solutions. I believe our unique offering gives clients an advantage in their marketing programmes which in turn underpins our new business success. The annualised value of our net new business wins in the first half of the financial year (£6 million) compared to the same period last year (£4 million), demonstrates the continued strength of our offering.

One of the strategic reasons for disposing of DLKW was to accelerate acquisitions and investment in areas that offer greater opportunities for growth, with a focus on the expansion of our companies' existing propositions, either internationally or by adding complementary services.

In the case of our Health division, which has continued to grow throughout the downturn, we believe a physical presence in the world's largest pharmaceutical market of the USA is essential to its continued success and on 30 November 2010 we were delighted to announce the proposed acquisition of the trade and assets of both Cooney/Waters, a New York based specialist healthcare public relations firm, and its subsidiary, Alembic Health Communications (together the "Cooney/Waters Businesses"), which is subject to shareholder approval. Cooney/Waters has a record of delivering award-winning campaigns to an international client base and a reputation for delivering expert advice with high levels of service. In April 2010, it was named Healthcare Agency of the Year by The Holmes Report, a leading communications industry publication. It has a strong cultural and strategic fit with our UK healthcare PR agency, Red Door Communications, and the two companies have a history of working together on numerous joint clients via their international affiliate network, the Health Collective.

We believe that bringing the Cooney/Waters Businesses into the Creston Health division will provide the necessary scale and geographical reach required to compete more effectively for larger global briefs in healthcare PR, as well as increasing the synergy potential for our other Health division companies.

New Business

There have been some notable successes during the period securing £6 million, on an annualised basis, of net new business revenue from new and existing clients.

Insight division:

- ICM won a major contract from Sainsbury's at the end of the period, which will benefit the second half; and
- Marketing Sciences won new global briefs from Twinings and BP Castrol.

Communications division:

- EMO won a global brief for Rolls Royce in addition to securing a new three-year contract with the BMW, MINI and Motorrad brands, and winning a brief from Intercontinental Hotel Group;
- Consumer PR start-up, Fever, won a global brief for a major international financial services company;
- Nelson Bostock won CA Technologies, the leading IT management software and solutions company;
- The Real Adventure was appointed as digital and direct agency for Twinings Tea; and
- TMW won campaigns from Abbott, Sony Professional Services, Pfizer and Saudi Clusters. In addition, TMW were, in November; awarded Guinness's digital relationship marketing programme as well as securing a place on a newly created roster for all below the line activity including Shopper Marketing for Guinness, Gordon's, Baileys, Pimms, Bells and Bushmills.

Health division:

- PAN benefitted from a strong flow of new projects from existing clients including three new brands from Astellas, and new brands from Takeda and GSK, while also adding new client Kowa to its roster;
- Red Door Communications won significant new projects from existing clients such as ViiV Healthcare and Astellas, while adding Takeda and Panasonic to its roster; and
- ROCK medical communications continued its strong growth winning new accounts with UCB, ViiV Healthcare, NAPP and GSK.

Financial Review

In the first half of the financial year we announced the sale of DLKW, the Group's advertising agency for a consideration of £28.0 million. The Group recognised a loss on disposal of £3.5 million (see note 7 to this Interim Report). We have reported DLKW as a discontinued operation and the results discussed below are presented on a continuing group basis.

Revenue increased by 9 per cent to £32.0 million (HI 2010: £29.5 million) during the first half of the financial year, owing to an increase in the number of new business opportunities and pitch successes.

Headline PBIT decreased by 12 per cent to £4.4 million (HI 2010: £5.1 million). The operating margin declined in the first half of the year for a number of reasons, including the following:

- (i) During the period, the rapid growth in revenue has required additional resource, resulting in a short-term increase in recruitment fees and temporary staff costs;
- (ii) The start-ups launched over the last 12-18 months have contributed to our revenue growth, however, they are yet to operate at the higher levels of margin achieved elsewhere in the Group;
- (iii) The Group has made significant investments in developing and training senior operating company management. Although costly (in terms of time and money), this will enhance the strategy, performance and synergy of the Group; and
- (iv) The Group suffered a loss of £0.2 million as a result of the adverse movement in the euro to sterling exchange rate. There was no significant impact on foreign exchange in the prior period. On 1 October 2010 the Group entered into a participating forward contract maturing on 31 March 2011, which will help to mitigate any future exposure to foreign exchange movements.

Excluding the foreign exchange loss, operating company Headline PBIT (i.e. Headline PBIT before head office costs) decreased by only 5 per cent to £5.9 million (HI 2010: £6.3 million).

Reported PBIT increased to £4.4 million (HI 2010: £0.6 million). In HI 2010 there was a £3.8 million charge relating to the write-off of CML goodwill following its closure. The Headline adjustments for HI 2011 is a non-cash charge for deemed remuneration (£38k).

Headline PBT decreased by 12 per cent to £4.2 million (HI 2010: £4.8 million), a smaller decrease than the Headline PBIT reduction due to a decline in interest expense resulting from the Group being effectively debt free from 14 July 2010. Reported PBT increased by £4.0 million to £4.2 million.

Headline diluted EPS decreased by 22 per cent to 5.06 pence (HI 2010: 6.49 pence) per share as a result of lower Headline PBT and a higher effective tax rate than the prior year. The prior year included a release of tax provisions related to CML goodwill, which decreased the effective tax rate to 24 per cent. Reported diluted EPS increased to 5.02 pence (HI 2010: loss of 0.92 pence) per share.

Divisional Review

Insight

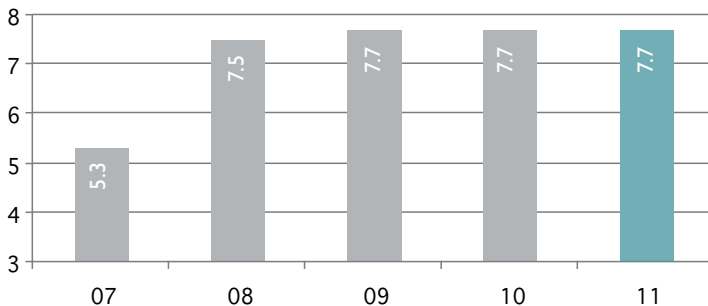
	HI 2011 £ million	HI 2010 £ million	Change %
Revenue	7.7	7.8	-2%
Headline PBIT	2.2	2.4	-8%
Reported PBIT	2.2	(1.7)	-
Headline PBIT Margin (%)	28%	30%	

During the first half of the year the Insight division saw revenue decline by 2 per cent; a resilient performance against a backdrop of social and government budget cuts, which affected both ICM and Marketing Sciences.

Inspired, a new brand launched earlier this year, was set up in response to growing client demand for consumer-focussed insight. Offering joint qualitative and quantitative research capabilities and drawing upon expertise from across our Insight companies, the brand is already generating an income stream from existing clients.

In addition, a new senior management team was recruited at ICM to drive business development and initiatives in digital and online research. The four external hires, led by former Kantar executive Justin Sampson as ICM Chairman, are experienced industry executives who will provide continued impetus and direction to ICM. This has had a short-term affect on the division's profit margin due to the associated recruitment costs.

Insight Revenue (£m)



Communications

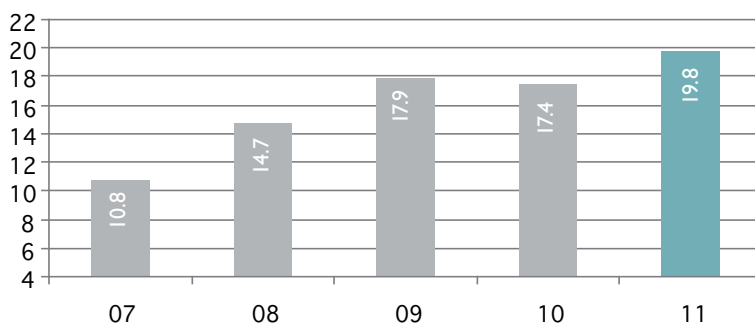
	HI 2011 £ million	HI 2010 £ million	Change %
Revenue	19.8	17.4	+14%
Headline PBIT pre FX	2.5	2.5	+1%
Foreign exchange	(0.2)	0.0	-
Headline PBIT	2.3	2.5	-7%
Reported PBIT	2.3	2.2	+8%
Headline PBIT Margin (%)	12%	14%	

The division experienced a very busy first half with revenue, on a continuing group basis, increasing by 14 per cent. This growth was due to particularly strong performances from EMO, Fever, and Nelson Bostock, with a general increase in new business across the whole division.

Headline PBIT before net foreign exchange losses showed an increase of 1 per cent to £2.5 million (HI 2010: £2.5 million). After the foreign exchange losses of £0.2 million Headline PBIT decreased by 7 per cent to £2.3 million (HI 2010: £2.5 million).

The Headline PBIT margin has suffered as a consequence of the increased staffing requirements to service the very high revenue growth. These issues have now been addressed and the division is focused on improving its profit conversion and margin on the increased revenue.

Communications Revenue (£m)



Health

	HI 2011 £ million	HI 2010 £ million	Change %
Revenue	4.5	4.2	+6%
Headline PBIT	1.2	1.4	-12%
Reported PBIT	1.2	1.4	-12%
Headline PBIT Margin (%)	27%	33%	

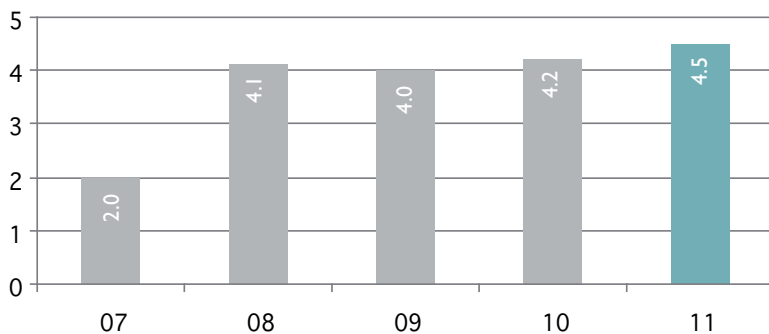
The Health division continued to perform well, reporting an increase in revenue of 6 per cent in the period, slightly ahead of the growth rate in the full year 2010 and the comparative half year period. The encouraging revenue performance demonstrates the resilience of the sector against the vagaries of the economy.

The margin decline in the first half of the year has been caused by the investment in an over-the-counter consumer advertising proposition from PAN. Demonstrating the benefits of this investment, the team has already achieved a project win from GSK's Oilatum and we are confident of its growing success.

The formation of Intensity Digital Ltd in September 2010 is a response to a shift in emphasis of pharmaceutical marketing budgets towards integrated digital communications in the sector. Given the high level of specialist clinical and regulatory knowledge required to compete in this space, Intensity Digital is well placed to benefit from the growing trend in communicating directly via digital mediums to the health specialists. This offer is complementary to the tmwdigitalhealth proposition, which focuses on large website builds, database and ECRM management.

In addition to collaborating on an increasing number of clients' campaigns, the Health division continues to work closely with the Insight and Communications divisions.

Health Revenue (£m)



Cash Management and Net Debt

The Group paid down its debt using the net proceeds from the disposal of DLKW of £27.4m. Of the £28.0 million received from the disposal of DLKW, £0.6 million was spent on related advisor fees. £50k of net assets, of which £1.3 million was cash, remained on the DLKW balance sheet and was disposed of as part of the transaction. £3.1 million of loan notes relating to previous acquisitions were paid during the period with a nominal amount of £30k of loan notes outstanding on the Group balance sheet.

As expected, cash conversion (ratio of operating cash flow to Headline EBITDA⁴) was low at 36 per cent (H1 2010: 72 per cent). This decline was because in the 2010 financial year the conversion rate of 113 per cent was high and therefore the 2010 year ended with a low working capital position. In the 2011 financial year this has now returned to a more normal level.

The Group has committed bank facilities of £25.0 million available until March 2012, and on completion of the proposed acquisition £5 million will be available until March 2013. As at 30 September 2010 this facility was undrawn.

Taxation

The Headline and Reported tax charge on a continuing operations basis is in line with the current statutory rate of 28%.

Dividend

With the Group's return to revenue growth, a strong balance sheet and the current positive momentum in the business, the Board believes it is appropriate to reinstate the interim dividend. Therefore, an interim dividend per share of 0.75 pence (H1 2010: nil) will be paid on 10 January 2011 to shareholders on the register at 10 December 2010.

Outlook

After a particularly strong revenue performance in the first half of the year, there is positive momentum across the Group and the new business pipeline remains active. During the second half, anticipated new business wins are expected to offset tightening public sector research and marketing budgets which, although minimal, will have some impact on the Group.

Our second half is traditionally our strongest period. With continuing new business successes, the upside from investments in the first half and the proposed acquisition of the Cooney/Waters Businesses, we believe we are well positioned for the period ahead.

Don Elgie

Chief Executive

⁴ Earnings before finance income, finance costs, income from financial assets, taxation, depreciation and amortisation (EBITDA).

Unaudited consolidated income statement

for the six months ended 30 September 2010

	<i>Note</i>	Six months ended 30 September 2010 £'000	Six months ended 30 September 2009 £'000	Year ended 31 March 2010 £'000
Continuing operations:				
Turnover (billings)		45,887	45,142	93,673
Revenue	5	32,011	29,494	61,259
Operating costs		(27,566)	(24,415)	(50,447)
Headline profit before finance income, finance costs, income from financial assets and taxation	4	4,445	5,079	10,812
Headline items	4	(38)	(4,473)	(4,887)
Profit before finance income, finance costs, income from financial assets and taxation	4	4,407	606	5,925
Finance income		1	1	6
Finance costs		(212)	(455)	(1,080)
Income from financial assets		-	-	195
Profit before taxation	4	4,196	152	5,046
Taxation	6	(1,170)	(677)	(2,128)
Profit/(loss) for the period from continuing operations	4	3,026	(525)	2,918
Discontinued operations:				
(Loss)/profit for the period from discontinued operations	7	(3,159)	960	2,215
(Loss)/profit for the period		(133)	435	5,133
Basic earnings/(loss) per share (pence):				
From continuing operations	8	5.02	(0.92)	4.98
From discontinued operations		(5.24)	1.68	3.77
		(0.22)	0.76	8.75
Diluted earnings/(loss) per share (pence):				
From continuing operations	8	5.02	(0.92)	4.97
From discontinued operations		(5.24)	1.68	3.77
		(0.22)	0.76	8.74

The notes on pages 16 to 28 form an integral part of the Interim Report.

Unaudited consolidated statement of comprehensive income
for the six months ended 30 September 2010

	<i>Note</i>	Six months ended 30 September 2010 £'000	Six months ended 30 September 2009 £'000	Year ended 31 March 2010 £'000
(Loss)/profit for the period		(133)	435	5,133
Other comprehensive income/(expense)				
Cash flow hedge:				
Fair value gain/(loss) in period	11	188	(287)	(188)
Tax effect of fair value (gain)/loss		(53)	80	53
Other comprehensive income/ (expense) for the period, net of tax		135	(207)	(135)
Total comprehensive income for the period		2	228	4,998

The notes on pages 16 to 28 form an integral part of the Interim Report.

Unaudited consolidated balance sheet

as at 30 September 2010

	Note	As at 30 September 2010 £'000	As at 30 September 2009 £'000	As at 31 March 2010 £'000
Non-current assets				
Intangible assets				
Goodwill	10	88,548	119,081	119,081
Other	10	1,148	1,619	1,551
Property, plant and equipment	10	1,754	2,401	2,065
Financial assets – available for sale		550	550	550
Deferred tax assets		533	889	766
		92,533	124,540	124,013
Current assets				
Inventories and work in progress		1,842	2,522	2,937
Trade and other receivables		22,914	29,175	32,346
Cash and short term deposits	13	232	16	2,778
		24,988	31,713	38,061
Current liabilities				
Trade and other payables		(19,503)	(28,663)	(35,884)
Corporation tax payable		(2,593)	(1,458)	(2,398)
Obligations under finance leases	13	(7)	(4)	(8)
Bank overdraft, loans and loan notes	13	(30)	(24,695)	(27,687)
Derivative financial instrument	11	-	(287)	(135)
		(22,133)	(55,107)	(66,112)
Net current assets/(liabilities)		2,855	(23,394)	(28,051)
Total assets less current liabilities		95,388	101,146	95,962
Non-current liabilities				
Bank loans and loan notes	13	-	(10,000)	-
Obligations under finance leases	13	(8)	-	(8)
		(8)	(10,000)	(8)
Net assets		95,380	91,146	95,954
Equity				
Called up share capital		6,134	6,134	6,134
Share premium account		35,943	35,943	35,943
Own shares		(779)	(851)	(801)
Shares to be issued		1,463	1,643	1,461
Other reserves		31,357	31,357	31,357
Retained earnings		21,262	16,920	21,860
Total equity		95,380	91,146	95,954

The notes on pages 16 to 28 form an integral part of the Interim Report.

Unaudited statement of changes in equity

for the six months ended 30 September 2010

	Share capital £'000	Share premium £'000	Own shares £'000	Shares to be issued £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Changes in equity for the period							
At 1 April 2010	6,134	35,943	(801)	1,461	31,357	21,860	95,954
Loss for the period	-	-	-	-	-	(133)	(133)
Other comprehensive income:							
Fair value gain on financial liability	-	-	-	-	-	188	188
Tax effect of fair value gain	-	-	-	-	-	(53)	(53)
Total comprehensive income for the period	-	-	-	-	-	2	2
Credit for share-based incentive schemes	-	-	-	30	-	-	30
Exercise of share award	-	-	22	(28)	-	-	(6)
Gain on treasury scheme/ employee benefit trust	-	-	-	-	-	6	6
Fair value adjustment of own shares issued	-	-	-	-	-	(3)	(3)
Dividends (note 9)	-	-	-	-	-	(603)	(603)
At 30 September 2010	6,134	35,943	(779)	1,463	31,357	21,262	95,380

The notes on pages 16 to 28 form an integral part of the Interim Report.

Six months ended 30 September 2009

	Share capital £'000	Share premium £'000	Own shares £'000	Shares to be issued £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Changes in equity for the period							
At 1 April 2009	5,576	33,345	(1,054)	2,706	31,357	15,938	87,868
Profit for the period	-	-	-	-	-	435	435
Other comprehensive income:							
Fair value loss on financial liability	-	-	-	-	-	(287)	(287)
Tax effect of fair value loss	-	-	-	-	-	80	80
Total comprehensive income for the period	-	-	-	-	-	228	228
Debit for share-based incentive schemes	-	-	-	(123)	-	-	(123)
Exercise of share award	-	-	203	(940)	-	-	(737)
Loss on treasury scheme/ employee benefit trust	-	-	-	-	-	(11)	(11)
Gain on treasury scheme/ employee benefit trust	-	-	-	-	-	177	177
Fair value adjustment of own shares issued	-	-	-	-	-	588	588
Proceeds from shares issued	558	2,788	-	-	-	-	3,346
Costs associated with shares issued	-	(190)	-	-	-	-	(190)
At 30 September 2009	6,134	35,943	(851)	1,643	31,357	16,920	91,146

The notes on pages 16 to 28 form an integral part of the Interim Report.

Unaudited statement of changes in equity *continued*

Year ended 31 March 2010

	Share capital £'000	Share premium £'000	Own shares £'000	Shares to be issued £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Changes in equity for the year							
At 1 April 2009	5,576	33,345	(1,054)	2,706	31,357	15,938	87,868
Profit for the year	-	-	-	-	-	5,133	5,133
Other comprehensive income:							
Fair value loss on financial liability	-	-	-	-	-	(188)	(188)
Tax effect of fair value loss	-	-	-	-	-	53	53
Total comprehensive income for the year	-	-	-	-	-	4,998	4,998
Credit for share-based incentive schemes	-	-	-	11	-	-	11
Exercise of share award	-	-	253	(1,202)	-	-	(949)
Loss on treasury scheme/ employee benefit trust	-	-	-	-	-	(11)	(11)
Gain on treasury scheme/ employee benefit trust	-	-	-	-	-	185	185
Fair value adjustment of own shares issued	-	-	-	-	-	696	696
Proceeds from shares issued	558	2,788	-	-	-	-	3,346
Costs associated with shares issued	-	(190)	-	-	-	-	(190)
Transfer of lapsed options	-	-	-	(54)	-	54	-
At 31 March 2010	6,134	35,943	(801)	1,461	31,357	21,860	95,954

The notes on pages 16 to 28 form an integral part of the Interim Report.

Unaudited consolidated statement of cashflows
for the six months ended 30 September 2010

	Note	Six month ended 30 September 2010 £'000	Six months ended 30 September 2009 £'000	Six months ended 31 March 2010 £'000
Operating cash flow	12	1,869	4,117	13,686
Tax paid		(261)	(1,063)	(1,812)
Cash (outflow)/inflow from discontinued operating activities		(1,058)	1,567	3,568
Net cash inflow from operating activities		550	4,621	15,442
Investing activities				
Finance income		1	1	6
Income from financial assets		-	-	195
Purchase of subsidiary undertakings		(3,057)	(3,150)	(20,058)
Purchase of property, plant and equipment	10	(532)	(558)	(848)
Proceeds from sale of property, plant and equipment		-	16	12
Purchase of intangible assets	10	(81)	(123)	(227)
Decrease in restricted cash deposits		-	8	22
Net proceeds from disposal of subsidiary		27,374	-	-
Cash outflow from discontinued investing activities		(1,376)	(96)	(155)
Net cash inflow/(outflow) from investing activities		22,329	(3,902)	(21,053)
Financing activities				
Net proceeds from issuance of ordinary shares		-	3,156	3,156
Finance costs		(221)	(275)	(766)
Net (decrease)/increase in borrowings		(24,600)	(6,400)	3,200
Dividends paid		(603)	-	-
Capital element of finance lease payments		(1)	(4)	(7)
Cash flows from discontinued financing activities		-	-	-
Net cash (outflow)/inflow from financing activities		(25,425)	(3,523)	5,583
(Decrease) in cash and cash equivalents		(2,546)	(2,804)	(28)
Cash and cash equivalents at start of period		2,778	2,806	2,806
Cash and cash equivalents at end of period	13	232	2	2,778

The notes on pages 16 to 28 form an integral part of the Interim Report.

Notes to the interim Report

for the six months ended 30 September 2010

1. Presentation of financial information

The financial information contained in this Interim Report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2010 were approved by the Board of directors on 12 July 2010 and delivered to the Registrar of Companies. The report of the auditors, by PricewaterhouseCoopers LLP on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 448 of the Companies Act 2006.

The Interim Report has not been audited or reviewed by the Group's auditors.

2. Basis of Preparation

The Interim Report of Creston plc for the six months ended 30 September 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim financial reporting" as adopted by the European Union.

The accounting policies applied in the preparation of the annual financial statements are based on the European Union adopted International Financial Reporting Standards (IFRS) and IFRIC interpretations that are applicable at this time.

The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2010 which have been prepared in accordance with IFRS as adopted by the European Union.

3. Accounting policies

The interim consolidated financial statements of Creston plc for the six months ended 30 September 2010 have been prepared in accordance with the accounting policies contained in the Group's Annual Report and Accounts 2010 and the policies as described in Note 2 above.

The following new standards, amendments to standards or interpretations are mandatory for the first time for financial years beginning 1 April 2010, but are not currently relevant for the group and have had no effect on the reported results:

IFRS 3 (revised), 'Business combinations';

IAS 27 (amendment), 'Consolidated and separate financial statements';

IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009; and

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

The following new standards, amendments to standards or interpretations have been issued, but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:

IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not a mandatory requirement until 1 January 2013 but is available for early adoption; and

Revised IAS 24, 'Related party disclosures', issued in November 2009. This supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.

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 acquisition-related charges deemed as remuneration arising on payments made by Creston to non-shareholding employees in respect of the consideration on the business acquisitions. In the financial year ending 31 March 2010 there were also notional finance costs relating to the deferred consideration.
- (ii) Exceptional non-recurring operating charges in the financial year 2010 were restructuring costs, closure costs relating to CML and MSTs and the write-off of goodwill in respect of CML. There were no such costs in the first half of this financial year.

Six months ended 30 September 2010	PBIT	PBT	PAT
	£'000	£'000	£'000
Headline	4,445	4,234	3,053
Future acquisition payments to employees deemed as remuneration	(38)	(38)	(38)
Taxation impact			11
Reported	4,407	4,196	3,026
Headline Basic and Diluted EPS (pence)			5.06
Reported Basic and Diluted EPS (pence)			5.02
Six months ended 30 September 2009	PBIT	PBT	PAT
	£'000	£'000	£'000
Headline	5,079	4,814	3,692
Restructuring costs	(433)	(433)	(433)
Goodwill write-off	(3,786)	(3,786)	(3,786)
Future acquisition payments to employees deemed as remuneration	(254)	(254)	(254)
Notional finance costs on future deferred consideration	-	(189)	(189)
Taxation impact			445
Reported	606	152	(525)
Headline Basic and Diluted EPS (pence)			6.49
Reported Basic and Diluted EPS (pence)			(0.92)

Year ended 31 March 2010	PBIT	PBT	PAT
	£'000	£'000	£'000
Headline	10,812	10,337	7,912
Restructuring costs	(584)	(584)	(584)
Goodwill write-off	(3,786)	(3,786)	(3,786)
Future acquisition payments to employees deemed as remuneration	(517)	(517)	(517)
Notional finance costs on future deferred consideration	-	(404)	(404)
Taxation impact			297
Reported	5,925	5,046	2,918
Headline Basic EPS (pence)			13.47
Headline Diluted EPS (pence)			13.46
Reported Basic EPS (pence)			4.98
Reported Diluted EPS (pence)			4.97

5. Segmental analysis

The chief operating decision-maker has been identified as the Board of Directors ('the Board') who make the strategic decisions. The Board has determined the operating segments in a manner consistent with the internal reporting provided to the Board. The Board considers the business from a divisional perspective, that being Insight, Communications and Health.

The principal activities of the three divisions are as follows:

Insight

The Insight division performs a complete range of market research services on behalf of its clients, through both qualitative and quantitative means using the mediums of face-to-face, telephone and online techniques.

Communications

The Communications division offers clients an integrated approach to their marketing and communication strategy, offering a range of services which include brand strategy, channel marketing, relationship marketing (CRM), digital marketing, direct marketing, promotional marketing and public relations.

Health

The Health division provides an integrated communications solution to the healthcare and pharmaceuticals sectors and offers services which include advertising, direct marketing, digital marketing, public relations, issue management, market research and medical education.

The Board assesses the performance of the operating segments based on a measure of revenue and Headline PBIT. This measurement basis excludes the effects of non-recurring charges from the operating segments, such as restructuring costs, write-off of goodwill, notional interest and deemed remuneration charges.

Accounting policies are consistent across the reportable segments.

All significant assets and liabilities are located within the UK. The Board does not review the assets and liabilities of the Group on a divisional basis and as such has not segmented the assets and liabilities of the Group.

Other information provided to the Board of Directors is measured in a manner consistent with that in the financial statements.

The divisional analysis below excludes the results of DLKW (which were reported as part of the Communications division) as it has been classed as a discontinued operation. The prior period numbers have also been reported on a continuing Group basis.

Divisional segmentation

Turnover, revenue, Headline and Reported profit before financial income, finance costs, income from financial assets and taxation (PBIT), and profit before tax attributable to group activities are shown below.

Six months ended	Insight	Communications	Health	Head office	Group
30 September 2010	£'000	£'000	£'000	£'000	£'000
Turnover (billings)	14,114	26,249	5,524	-	45,887
Revenue	7,705	19,841	4,465	-	32,011
Headline PBIT	2,177	2,340	1,217	(1,289)	4,445
Future acquisition payments to employees deemed as remuneration	-	-	-	(38)	(38)
Reported PBIT	2,177	2,340	1,217	(1,327)	4,407
Finance income	-	-	-	1	1
Finance costs	-	-	-	(212)	(212)
Profit before taxation	2,177	2,340	1,217	(1,538)	4,196
Taxation					(1,170)
Profit for the period					3,026

Six months ended	Insight	Communications	Health	Head office	Group
30 September 2009	£'000	£'000	£'000	£'000	£'000
Turnover (billings)	13,749	26,494	4,899	-	45,142
Revenue	7,845	17,418	4,231	-	29,494
Headline PBIT	2,373	2,507	1,390	(1,191)	5,079
Restructuring costs	(296)	(137)	-	-	(433)
Goodwill write-off	(3,786)	-	-	-	(3,786)
Future acquisition payments to employees deemed as remuneration	(36)	(213)	(5)	-	(254)
Reported PBIT	(1,745)	2,157	1,385	(1,191)	606
Finance income	-	-	-	1	1
Finance costs	-	-	-	(266)	(266)
Notional interest	(89)	(97)	(3)	-	(189)
Profit before taxation	(1,834)	2,060	1,382	(1,456)	152
Taxation					(677)
Loss for the period					(525)

Year ended	Insight	Communications	Health	Head office	Group
31 March 2010	£'000	£'000	£'000	£'000	£'000
Turnover (billings)	27,839	54,989	10,845	-	93,673
Revenue	15,956	36,457	8,846	-	61,259
Headline PBIT	4,883	5,455	2,711	(2,237)	10,812
Restructuring costs	(354)	(230)	-	-	(584)
Goodwill write-off	(3,786)	-	-	-	(3,786)
Future acquisition payments to employees deemed as remuneration	(36)	(215)	(5)	(261)	(517)
Reported PBIT	707	5,010	2,706	(2,498)	5,925
Finance income	-	-	-	6	6
Finance costs	-	-	-	(676)	(676)
Notional finance cost on future deferred consideration	(204)	(193)	(7)	-	(404)
Income from financial assets	-	195	-	-	195
Profit before taxation	503	5,012	2,699	(3,168)	5,046
Taxation	-	-	-	-	(2,128)
Profit for the period					2,918

Geographical segmentation

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		
	Six months ended 30 September 2010	Six months ended 30 September 2009	Year ended 31 March 2010	Six months ended 30 September 2010	Six months ended 30 September 2009	Year ended 31 March 2010
	£'000	£'000	£'000	£'000	£'000	£'000
UK	25,250	23,134	47,563	37,354	35,670	74,916
Rest of Europe	6,001	4,687	11,682	7,472	7,545	15,941
Rest of the World	760	1,673	2,014	1,061	1,927	2,816
	32,011	29,494	61,259	45,887	45,142	93,673

6. Taxation

The effective Reported tax rate including discontinued operations for the period ended 30 September 2010 is 115% (the effective Reported tax rate for the period ended 30 September 2009 was 70%). The rate for this period is high due to the loss on disposal of DLKW on which no tax relief is available.

The effective Reported rate in respect of the continuing operations for the period ended 30 September 2010 is 28%, in line with the current statutory rate of 28%.

The effective Headline tax rate for the six months ended 30 September 2010 is 28% (the effective Headline tax rate for the six months ended 30 September 2009 was 24%). This rate is in line with the current statutory corporation tax rate of 28%.

7. Discontinued Operations

(a) Description

On 28 June 2010, the Group announced the proposed sale of Delaney Lund Knox Warren and Partners, Dialogue DLKW and The Composing Room ('DLKW') for £28.0 million, which was then approved by shareholders on 13 July 2010 with effect from 14 July 2010. DLKW is reported in the financial statements for the half-year ended 30 September 2010 as a discontinued operation.

(b) Financial performance

The financial performance information for the half year to 30 September 2010 below shows the results of DLKW until the effective date of disposal (14 July 2010). The period to 30 September 2009 and 31 March 2010 show the financial information of DLKW for the full six months and full year respectively.

	Six months ended 30 September 2010 £'000	Six months ended 30 September 2009 £'000	Year ended 31 March 2010 £'000
Turnover (billings)	9,180	17,652	43,149
Revenue	4,472	9,187	19,241
Headline operating costs	(4,307)	(7,691)	(15,796)
Headline PBIT	165	1,496	3,445
Loss on disposal (section (e))	(3,459)	-	-
Restructuring costs	-	(177)	(338)
Reported (loss)/profit before interest and tax	(3,294)	1,319	3,107
Reported (loss)/profit before tax	(3,294)	1,319	3,107
Taxation	135	(359)	(892)
(Loss)/profit for the period	(3,159)	960	2,215

(c) Cash flow information

Refer to the statement of cashflows for the amounts related to discontinued operations.

(d) *Carrying amounts of assets and liabilities*

The carrying amounts of assets and liabilities as at 14 July 2010 were:

	As at 14 July 2010 £'000
Property, plant and equipment	350
Trade receivables	5,919
Inventories and work in progress	471
Deferred tax asset	219
Cash and short term deposits	1,331
Total assets	8,290
Trade and other payables	(8,200)
Corporation tax payable	(40)
Total liabilities	(8,240)
Net assets	50

(e) *Financial information on the sale of DLKW*

	£'000
Proceeds from the sale	28,000
Costs associated with the sale	(626)
Goodwill write-off	(30,533)
Intangible asset write-off	(250)
Carrying amount of net assets sold	(50)
Loss on disposal of subsidiary	(3,459)

The subsidiary disposed of (DLKW) was reportable under the Communications division.

8. Earnings per share

	Headline			Reported		
	Six months	Six months	Year	Six months	Six months	Year
	ended 30	ended 30	ended 31	ended 30	ended 30	ended 31
	September	September	March	September	September	March
	2010	2009	2010	2010	2009	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Earnings						
Profit/(loss) for the period from continuing operations	3,053	3,692	7,912	3,026	(525)	2,918
Profit/(loss) from discontinued operations	125	1,087	2,458	(3,159)	960	2,215
	3,178	4,779	10,370	(133)	435	5,133
Number of shares						
Weighted average number of shares	60,285,576	56,898,349	58,729,868	60,285,576	56,898,349	58,729,868
Dilutive effect of shares	-	-	32,047	-	-	32,047
	60,285,576	56,898,349	58,761,915	60,285,576	56,898,349	58,761,915
Earnings per share						
Basic earnings/(loss) per share (pence):						
- continuing operations	5.06	6.49	13.47	5.02	(0.92)	4.98
- discontinued operations	0.21	1.91	4.19	(5.24)	1.68	3.77
	5.27	8.40	17.66	(0.22)	0.76	8.75
Diluted earnings/(loss) per share (pence):						
- continuing operations	5.06	6.49	13.46	5.02	(0.92)	4.97
- discontinued operations	0.21	1.91	4.19	(5.24)	1.68	3.77
	5.27	8.40	17.65	(0.22)	0.76	8.74

Diluted earnings per share (DEPS) has been calculated based on the following dilutive element:

For 31 March 2010 there were 32,047 restricted shares that had vested but not been issued at the balance sheet date.

The Headline EPS and Headline DEPS are based on the Headline PBT analysed in note 4 less attributable tax and divided by the weighted average number of shares and by the weighted average number of diluted shares, respectively.

9. Dividends

The prior year final dividend of 1.00 pence per share (H1 2010: nil pence per share) was paid to shareholders on 8 September 2010 giving a total of £603,000 (H1 2010: nil).

The Board has declared an interim dividend to be paid on 10 January 2011 of 0.75 pence (H1 2010: nil pence) per share to all ordinary shareholders on the register at 10 December 2010.

10. Non-current assets**Six months ended 30 September 2010**

	Property, plant and equipment £'000	Intangible assets – goodwill £'000	Intangible assets – other £'000
Net book amount at 1 April 2010	2,065	119,081	1,551
Additions – continuing group	532	-	81
Additions – discontinued operations	44	-	-
Disposal of DLKW	(350)	(30,533)	(250)
Depreciation and amortisation – continuing group	(461)	-	(234)
Depreciation and amortisation – discontinued operations	(76)	-	-
Net book amount at 30 September 2010	1,754	88,548	1,148

Six months ended 30 September 2009

	Property, plant and equipment £'000	Intangible assets – goodwill £'000	Intangible assets – other £'000
Net book amount at 1 April 2009	2,514	122,856	1,582
Additions – continuing group	558	-	123
Additions – discontinued operations	96	-	-
Disposals	(19)	-	-
Transfer from tangibles/ to intangibles	(65)	-	65
Write-off of goodwill	-	(3,786)	-
Adjustments to consideration	-	11	-
Depreciation and amortisation – continuing group	(513)	-	(151)
Depreciation and amortisation – discontinued operations	(170)	-	-
Net book amount at 30 September 2009	2,401	119,081	1,619

Year ended 31 March 2010

	Property, plant and equipment £'000	Intangible assets – goodwill £'000	Intangible assets – other £'000
Net book amount at 1 April 2009	2,514	122,856	1,582
Transfer to intangibles	(65)	-	65
Additions – continuing group	848	-	227
Additions – discontinued operations	155	-	-
Disposals	(11)	-	-
Adjustments to consideration	-	11	-
Depreciation and amortisation –continuing group	(1,019)	-	(323)
Depreciation and amortisation –discontinued operations	(357)	-	-
Fair value adjustment	-	(3,786)	-
At 31 March 2010	2,065	119,081	1,551

11. Derivative financial instrument

The derivative financial instrument matured in August 2010. For the prior periods, however, the instrument had been calculated by assessing the movement in fair value of the forward contract. This contract qualified for hedge accounting and was treated as a cashflow hedge, and therefore the effective portion of the change in fair value was recognised within the statement of comprehensive income. The ineffective portion was recognised directly in the income statement. By 30 September 2010 the hedge had been settled and there was no outstanding liability.

12. Reconciliation of profit for the period to operating cash flow

	Six months ended 30 September 2010 £'000	Six months ended 30 September 2009 £'000	Year ended 31 March 2010 £'000
Profit/(loss) for the period	3,026	(525)	2,918
Taxation	1,170	677	2,128
Profit before taxation	4,196	152	5,046
Income from financial assets	-	-	(195)
Finance costs	212	455	1,080
Finance income	(1)	(1)	(6)
Profit before finance income, finance costs, income from financial assets and taxation	4,407	606	5,925
Depreciation of property, plant and equipment	461	513	1,019
Amortisation of intangible assets	234	151	323
Share based payments	5	(123)	(92)
Deemed remuneration	38	254	517
Goodwill write-off	-	3,786	3,786
Loss/(profit) on disposal of property, plant and equipment	-	3	(1)
Increase in inventories and work in progress	(260)	(641)	(719)
Decrease/(increase) in trade and other receivables	1,187	(1,025)	(3,293)
(Decrease)/increase in trade and other payables	(4,203)	593	6,221
Operating cash flow	1,869	4,117	13,686

13. Analysis of net and total debt

Six months ended 30 September 2010	As at 1 April 2010 £'000	Cash flow £'000	As at 30 September 2010 £'000
Cash and short term deposits	2,778	(2,546)	232
Bank overdrafts and revolving credit facility	(13,000)	13,000	-
Acquisition loan notes	(3,087)	3,057	(30)
Bank loans	(11,600)	11,600	-
Finance leases	(16)	1	(15)
Net and total (debt)/cash	(24,925)	25,112	187

Six months ended 30 September 2009	As at 1 April 2009 £'000	Other movements £'000	Acquisitions £'000	Cash flow £'000	As at 30 September 2009 £'000
Cash and short term deposits	2,806	-	-	(2,804)	2
Bank overdrafts and revolving credit facility	(7,000)	-	-	5,000	(2,000)
Acquisition loan notes	(23)	-	(19,680)	8	(19,695)
Bank loans	(14,400)	-	-	1,400	(13,000)
Finance leases	(8)	-	-	4	(4)
Net (debt)	(18,625)	-	(19,680)	3,608	(34,697)
Restricted cash deposits	22	-	-	(8)	14
Net (debt) including restricted cash deposits	(18,603)	-	(19,680)	3,600	(34,683)
Provision for deferred consideration	(22,300)	(820)	19,680	3,440	-
Total debt	(40,903)	(820)	-	7,040	(34,683)

Year ended 31 March 2010	As at 1 April 2009 £'000	Other movements £'000	Acquisitions £'000	Cash flow £'000	As at 31 March 2010 £'000
Cash and short term deposits	2,806	-	-	(28)	2,778
Bank overdrafts and revolving credit facility	(7,000)	-	-	(6,000)	(13,000)
Acquisition loan notes	(23)	-	(19,682)	16,618	(3,087)
Bank loans	(14,400)	-	-	2,800	(11,600)
Finance leases	(8)	-	-	(8)	(16)
Net (debt)	(18,625)	-	(19,682)	13,382	(24,925)
Restricted cash deposits	22	-	-	(22)	-
Net (debt) including restricted cash deposits	(18,603)	-	(19,682)	13,360	(24,925)
Provision for deferred consideration	(22,300)	(822)	19,682	3,440	-
Total debt	(40,903)	(822)	-	16,800	(24,925)

The bank overdrafts, revolving credit facility, acquisition loan notes and bank loans are as follows:

	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000
Current	30	24,695	27,687
Non-current	-	10,000	-
	30	34,695	27,687

14. Related-party transactions

During the six months ended 30 September 2010 total fees of £29,245 (H1 2010: £29,082) were paid to City Group P.L.C. £14,245 (H1 2010: £14,082) for the provision of secretarial services and £15,000 (H1 2010: £15,000) for the services of Mr D C Marshall, a non-executive director.

15. Key risks and uncertainties

As detailed on page 32 of the 2010 Annual Report and Accounts, the Group's key risks and uncertainties are associated with the retention of key personnel and customers. These risks are not considered to have changed since the 2010 Annual Report and Accounts were published, however due to the fluctuations in the euro exchange rate and Creston having a contractual obligation to bill certain clients in euros, the Board decided to enter into a participating forward contract on 1 October 2010 for €4.5 million maturing on 31 March 2011.

16. Post balance sheet events

On 30 November 2010 we announced the proposed acquisition of Cooney/Waters, a healthcare public relations business based in the United States of America for an initial cash consideration of \$9.4 million (£5.9 million) payable on completion. There is also an additional earn-out consideration of up to a maximum of \$21.4 million (£13.5 million) based upon certain performance criteria. This acquisition will be recommended to shareholders at the General Meeting on 15 December 2010 for their approval. Details of the financial information surrounding the transaction can be found in a separate circular.

17. Statement of directors' responsibilities

The Directors' confirm that to the best of their knowledge these condensed consolidated set of financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R; namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

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

The Directors of Creston plc are listed in the Creston Group Annual Report and Accounts 2010. A list of current directors is maintained on the Creston website: www.creston.com.

By order of the Board
Don Elgie
30 November 2010
Chief Executive Officer

18. Forward-looking statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

19. Availability of the Interim Report

Copies of the Interim Report 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.

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