CRESTON

plc

Interim Report

For the six months ended

30 September 2009

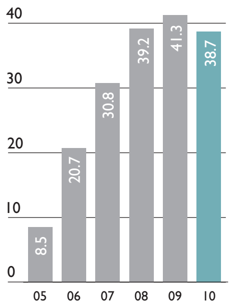
Creston plc

"Reporting a small increase in Headline profit before tax, a constant Headline operating profit margin, an increase in Headline diluted earnings per share and a fifty one per cent increase in our operating cash flow bears testament to the resilience and quality of our diversified earnings. I believe this performance demonstrates we have exceptional talent that delivers to clients what they need in these difficult economic times.

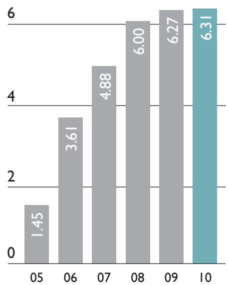
In this period we have also continued to invest in our digital and on-line client offer, which has driven a fifteen per cent increase in our digital revenues and meets our vision of providing clients insight and communications for the 21st century. We have an active new business pipeline and we are well positioned for the remainder of the year."

Don Elgie
Chief Executive Officer

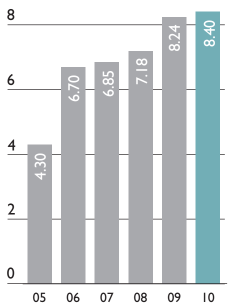
Interim Group Revenue (£m)



Interim Group Headline PBT (£m)



Interim Group Headline DEPS (pence)



Contents

Financial Highlights

- Revenue decreased by 6 per cent to £38.7 million (2008: £41.3 million)
- Headline[1] PBT[2] increased by 1 per cent to £6.3 million (2008: £6.3 million)
- Headline PBIT[3] margin constant at 17 per cent (2008: 17 per cent) due to efficient cost control
- Digital revenue increased to 31 per cent of total Group revenue (2008: 25 per cent)
- Operating cash flow increased by 51 per cent to £6.3 million (2008: £4.2 million)
- Cash conversion equalled 86 per cent of Headline EBITDA[4] (2008: 51 per cent)
- Total debt reduced since year end by £7 million (17 per cent)
- £3.3 million fundraising from existing shareholders successfully completed
- Annualised new business wins of £7 million. Wins include BBC Worldwide, Bausch & Lomb, COI, E-on, Evian, Facebook, Nucletron, Reckitt Benckiser and several new brands from existing clients including Astra Zeneca, Roche, GSK, COI and Unilever
- Post period end, the appointment of David Grigson as Chairman-elect.

Financial Results

	Headline results			Reported results		
	2009 £ million	2008 £ million	Change	2009 £ million	2008 £ million	Change
Revenue	38.7	41.3	-6%	38.7	41.3	-6%
PBIT	6.6	7.0	-6%	1.9	5.6	-66%
PBT	6.3	6.3	+1%	1.5	4.4	-67%
EPS (pence) diluted	8.40	8.24	+2%	0.76	5.45	-86%

[1] Headline results reflect the underlying performance of the Group and excludes goodwill write-off, restructuring and deemed remuneration charges from the Reported results. A full reconciliation is presented in Note 4.

[2] Profit before Taxation (PBT).

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

[4] Headline EBITDA is defined as Headline PBIT plus depreciation, amortisation and charges in respect of share based payments.

Chief Executive's Statement

Creston has performed robustly in the first half of its 2010 financial year in a difficult economic climate. Revenue declined on a like-for-like basis by 6 per cent, although this was after a 5 per cent rise in the first half of the last financial year. The revenue performance varied across the Group's three divisions, with growth of 6 per cent in Health and a 1 per cent decline in Insight for the continuing operations. Communications' revenue declined 8 per cent, which was less severe than the advertising market average.

As in any people-based professional services business, the biggest challenge is to align employment costs to sudden declines in revenue without compromising client service. At the beginning of the financial year, many of the client fee pressures had been anticipated and salary costs were reduced accordingly. The under performance of our two small niche research companies (CML and MSTS) could no longer be justified and action was taken to close each agency, whilst continuing to provide their services elsewhere in the division. This action meant that our operating cost base is now aligned with revenue. Consequently, our Headline PBIT margin remained at 17 per cent (2008: 17 per cent) and well above the industry average. The £2.7 million decline in revenue converted to a decline in Headline PBIT of only £0.5 million. This aggressive management of operating costs enabled us to reduce annualised payroll by approximately £2 million and achieve an approximate £1 million saving in the second half of this financial year.

Accelerating organic growth

At the start of this financial year the Group introduced a new three divisional structure: Insight, Communications and Health. Each division has a separate board with executive responsibility to drive profits, share best practice, maximise cost efficiencies and develop marketing solutions that take advantage of the diversified disciplines within each division and the Group as a whole. In the first six months of the new Group structure, there have been notable successes in new business and integration. Not only are the agencies in each division working more closely together, but the divisions themselves are working more closely with each other.

To accelerate our organic growth, we introduced a Centres of Excellence strategy. This means that the Group invests once and utilises the experience and skills across the whole Group in order to develop market leading products and services for all agencies to offer clients. By adopting a shared investment strategy all agencies are involved in the business planning and product development stages, which will lead to a greater long term success for the product or service. Recent new products and centres of excellence developed include:

Insight

- Online research
- Healthcare research
- Telephone research

Communications

- Mobile marketing
- Social media
- Search engine optimisation

Health

- Digital health
- Medical education

New Business Wins

The new business wins we have achieved in the first half of the year are an effective barometer of whether our services and proposition are relevant in the changing market. We have had some notable successes in the period, securing £7 million of new business revenue on an annualised basis. The Insight wins this year include Reckitt Benckiser appointing Marketing Sciences on a worldwide basis for packaging research, and GSK appointing ICM to conduct an 11-country tracking study. Within the Communications Division wins included DLKW winning the E-on full service advertising account, and COI engaging TMW for its National Blood Service CRM strategy. New business wins with BBC Worldwide, COI and Facebook were secured through the consumer and B2B public relations divisions of NBC, and Evian chose The Real Adventure for its digital marketing. Within the Health Division Bausch & Lomb selected tmwdigitalhealth for its new vision care website across Europe, the Middle East and Africa in association with Red Door Communications and The Real Adventure; and Nucletron appointed Rock Medical Communications for an integrated campaign with PAN Advertising.

We are proud of our blue chip client list and the long standing trusted relationships we have with clients that has resulted in additional brands and accounts from existing clients, such as, COI (Vulnerable workers and NHS Blood & Transplant), BMW (Motorrad), Unilever (Bertolli and Domestos), Danone (Evian), Roche (Herceptin) and GSK (Urology).

New business activity has gained momentum in the second half of the year and we have an active pipeline of opportunities. The second half will benefit from the new business won so far and the opportunities yet to be converted.

Financial Overview

Revenue decreased by 6 per cent to £38.7 million (2008: £41.3 million) during the first half of the financial year. In addition, the Group notes that during the first half of the calendar year, revenue remained flat compared with the corresponding period in 2008 and therefore exceeded the industry average, which was a decline. Headline PBIT decreased 6 per cent to £6.6 million (2008: £7.0 million), whilst the PBIT margin remained constant at 17% and demonstrated the Group's control of its cost base. Reported PBIT declined £3.7 million to £1.9 million. The majority of this decline was the result of writing off goodwill (a non-cash charge) for CML following the decision to close it. The other Headline adjustments are redundancy charges (£314k) in the Communications Division, the closure costs (£296k) in the Insight Division and a non-cash charge for deemed remuneration (£254k).

Although Headline PBIT has decreased 6 per cent year-on-year, the Group's interest charge has fallen significantly because of positive cash management and a reduction in LIBOR. Our effective average interest rate for the period was below 2 per cent and this contributed to the 1 per cent increase in Headline PBT compared to 2008.

Headline DEPS increased 2 per cent to 8.40 pence (2008: 8.24 pence). As a result of writing off of goodwill for CML, Reported DEPS fell to 0.76 pence (2008: 5.45 pence).

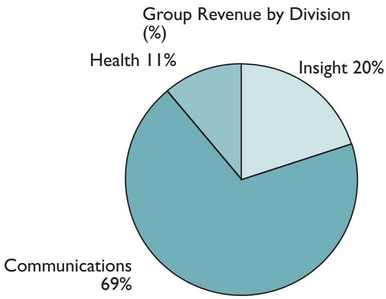
Divisional Performance

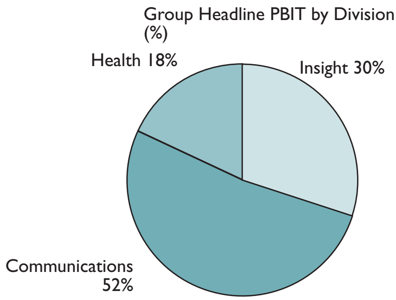
Insight Division

	2009 £ million	2008 £ million	Change %
Revenue	7.8	8.5	-8%
Headline PBIT	2.4	2.4	-1%
Reported PBIT	-1.7	2.2	-178%
Headline PBIT Margin (%)	30%	28%	

During the first half of the year the Insight division saw revenue decline by 8 per cent. However, this decline is attributable to the underperformance of CML and MSTS, both of which have now been closed. The core companies, ICM and Marketing Sciences, saw revenue decrease by 1 per cent, predominantly caused by a delay in commissioned projects that are now either underway or completed. This compares favourably to the wider market research sector which has seen a 5 per cent decline in the second quarter of 2009 (source: Market Research Society).

Headline PBIT has remained almost in line with the prior year despite declining revenue in the division. This has been achieved by the closure of the loss making subsidiaries MSTS and CML. It also explains the difference between the Headline and Reported performance of the division. £3.8 million of the £3.9 million decline in Reported PBIT is attributed to the closure costs of CML and the related write off of goodwill.





Communications Division

	2009 £ million	2008 £ million	Change %
Revenue	26.6	28.8	-8%
Headline PBIT	4.0	5.1	-21%
Reported PBIT	3.5	4.2	-16%
Headline PBIT Margin (%)	15%	18%	

The revenue decline has been caused by the expected reduction in clients' marketing budgets because of the recession. The impact of the budget cuts has been less severe than many of our competitors, because of our weighting towards direct, digital, local marketing and PR and as a consequence of our new business success. There has been a notable performance by EMO, our local marketing agency. After its recent Jaguar, Land Rover, Toyota and the COI's anti-smoking campaign wins, EMO has almost doubled in size.

As revenue declined during the first half of the year we made the necessary reductions in our resource base. In many cases this resulted in the Group reducing non-digital resources, and ensuring the Group was well placed for continuing growth in digital marketing services, which represented 37 per cent of the division's revenue (2008: 29 per cent). The redundancy charge in the period for the division was £314k, with an annualised saving of approximately £2 million and an expected saving of £1 million in the second half of this financial year.

Health

	2009 £ million	2008 £ million	Change %
Revenue	4.2	4.0	+6%
Headline PBIT	1.4	1.1	+28%
Reported PBIT	1.4	1.2	+14%
Headline PBIT Margin (%)	33%	27%	

The encouraging performance of this division, in terms of growth and margin, are the result of the strong new business wins in the period. PAN Advertising and Red Door Communications collaborate on a number of client accounts and are increasing their number of referred and joint clients. Whilst they possess digital capabilities themselves, both agencies are able to call upon the technical expertise of tmwdigitalhealth when necessary, or on the Insight division's healthcare capabilities for expert research and analytics.

Cash Management and Net Debt

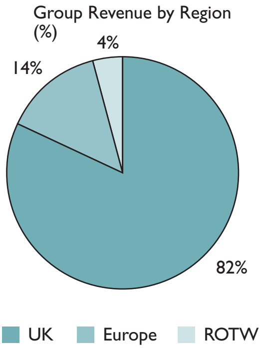
The Group's cash performance during the first half of the year was good. Operating cash flow increased 51 per cent to £6.3 million (2008: £4.2 million) as a result of effective management of working capital, which resulted in a cash conversion (ratio of operating cash flow to Headline EBITDA) of 86 per cent (2008: 51 per cent). Our average working capital balance during the period reduced to between £3 million to £4 million (2008: £7 million to £8 million).

In addition to the strong operating cash flow, the Group raised £3.3 million (gross) in July 2009 from existing shareholders. These funds are being used to invest in new client offers to accelerate organic growth, reduce net debt and create further headroom in our banking facility.

Total debt has been reduced by £6.9 million since March 2009. As all earn outs have completed, there is no further deferred consideration and therefore net debt and total debt are the same. Of the £34.7 million total debt (as at 30 September 2009), £15.0 million is bank debt and £19.7 million are loan notes issued in settlement of the final deferred consideration. These loan notes will be paid in January 2010 and July 2010, utilising future operating cash flow and our current unutilised £23.0 million bank revolving credit facility.

	March 2007 £'m	March 2008 £'m	March 2009 £'m	September 2009 £'m
12 month rolling Headline EBITDA	15.9	17.5	18.0	17.2
Bank Debt	21.4	16.4	18.6	15.0
Loan notes	0.3	1.4	–	19.7
Deferred Consideration	34.2	31.6	23.0	–
Total Debt	55.9	49.4	41.6	34.7
Total Debt : Headline EBITDA	3.5 x	2.8 x	2.3 x	2.0 x
Gearing (%)	70%	60%	47%	38%

The Group remains predominantly UK based, however in the first half of the year the Group generated over 18 per cent of its revenue from outside the UK (2008: 23 per cent). Due to the significant level of overseas trading and increasing exchange rate volatility the Board decided to mitigate this foreign exchange risk by entering into a twelve month fixed forward contract with the value of €5 million and a maturity date of August 2010.



Taxation

The effective tax rate at 70 per cent of Reported PBT has been distorted by writing off the CML goodwill, which materially reduced PBT. The underlying tax rate will be lower than the historic 29 per cent because of the release of certain tax provisions.

Dividend

The Board has decided to continue its strategy of paying down debt, reduce gearing and investing in organic growth initiatives. Given this objective of debt reduction, the Board believes that it is not in shareholders' best interests to pay an interim dividend but will review payment of a final dividend at the year end.

Our business objectives over the next 12 months

Our new divisional structure, although only six months in place, is already working well and it has a clear objective to continue to maximise the synergies (both client referrals and product launches) within and between our three divisions.

We will also continue our effective management of costs in line with future revenues to maintain our key performance indicators, including operating profit margin, that are in the upper quartile for the industry.

We have again demonstrated the cash generative nature of the Group and will continue to reduce the gearing levels through proactive working capital management and the resilience and quality of our earnings.

An important objective continues to be integrating digital and on-line at the heart of our client offer. There is increasing evidence that clients need effective services that integrate on and off-line capability. Through our Centres of Excellence strategy we have grown our digital revenue by 15 per cent representing 31 per cent of Group revenue in the half year.

Appointment of Chairman-elect

On 26 November, after the period end, we were delighted to announce the appointment of David Grigson as a non-executive director of Creston and Chairman-elect. David has had a distinguished career in the media sector, most recently as Chief Financial Officer at Reuters, and he will be a highly valued member of the Creston Board as we steer the Group through its next phase of growth.

David Grigson's joining marks the end of an era for David Marshall, our current Chairman who has been with the Group since its inception as an insight and communications company in 2001. David Marshall will retire as Chairman at the end of the Group's current financial year on 31 March 2010 when David Grigson will take up the role. We are very grateful for his contribution through the start up years and beyond.

Outlook

The signs for the second half of the year are more encouraging than those experienced during the first half, with delays in budget decisions and material reductions in client budgets now less likely than six months ago. However, there obviously continues to be economic uncertainty and we will remain cautious in our outlook.

The new Group structure is working well and driving momentum across the business and our recent digital start-ups will help accelerate organic growth. With the improvements in cash management and reduction in debt, the Group's gearing has reduced and we maintain headroom across all of our banking covenants. We have had a resilient performance in the first half, our operating costs are under control and the actions taken in the period will benefit future trading results. We have an active new business pipeline and we are well positioned for the remainder of the year.

Don Elgie

Chief Executive Officer

Unaudited consolidated income statement

for the six months ended 30 September 2009

	Note	**Six months ended 30 September 2009 £'000**	Six months ended 30 September 2008 £'000	Year ended 31 March 2009 £'000
Turnover (billings)		**62,794**	69,653	138,472
Revenue		**38,681**	41,341	83,795
Operating costs		**(36,756)**	(35,753)	(71,492)
Profit before finance income, finance costs, income from financial assets and taxation	*4*	**1,925**	5,588	12,303
Finance income		**1**	39	45
Finance costs		**(455)**	(1,364)	(2,487)
Income from financial assets		**–**	150	150
Profit before taxation	*4*	**1,471**	4,413	10,011
Taxation	*6*	**(1,036)**	(1,462)	(3,414)
Profit for the period	*4*	**435**	2,951	6,597
Basic earnings per share (pence)	7	**0.76**	5.46	12.21
Diluted earnings per share (pence)	7	**0.76**	5.45	12.10

The results above arise wholly from continuing operations.

The notes on pages 15 to 27 form an integral part of the interim report.

Unaudited consolidated statement of comprehensive income

for the six months ended 30 September 2009

	Note	**Six months ended 30 September 2009 £'000**	Six months ended 30 September 2008 £'000	Year ended 31 March 2009 £'000
Profit for the period		**435**	2,951	6,597
Other comprehensive (expenses)/income				
Cash flow hedge:				
Fair value loss in period	*10*	(287)	–	–
Tax effect of fair value		80	–	–
Other comprehensive (expense)/income for the period, net of tax		(207)	–	–
Total comprehensive income for the period		228	2,951	6,597

The notes on pages 15 to 27 form an integral part of the interim report.

Unaudited consolidated balance sheet

as at 30 September 2009

	Note	**As at 30 September 2009 £'000**	As at 30 September 2008 £'000	As at 31 March 2009 £'000
Non-current assets				
Intangible assets				
Goodwill	*9*	**119,081**	119,277	122,856
Other	*9*	**1,619**	1,429	1,582
Property, plant and equipment	*9*	**2,401**	3,201	2,514
Financial assets – available for sale		**550**	614	550
Deferred tax assets		**889**	869	800
		124,540	125,390	128,302
Current assets				
Inventories and work in progress		**2,522**	3,261	1,665
Trade and other receivables		**29,175**	36,126	30,814
Cash and short term deposits		**16**	19	2,828
		31,713	39,406	35,307
Current liabilities				
Trade and other payables		**(28,663)**	(30,261)	(29,984)
Corporation tax payable		**(1,458)**	(1,673)	(2,026)
Obligations under finance leases		**(4)**	(34)	(8)
Bank overdraft, loans and loan notes		**(24,695)**	(18,624)	(9,823)
Derivative financial instrument	*10*	**(287)**	–	–
Provisions for other liabilities and charges	*11*	**–**	(16,967)	(19,413)
		(55,107)	(67,559)	(61,254)
Net current liabilities		**(23,394)**	(28,153)	(25,947)
Total assets less current liabilities		**101,146**	97,237	102,355
Non-current liabilities				
Bank loans and loan notes		**(10,000)**	(13,000)	(11,600)
Provisions for other liabilities and charges	*11*	**–**	–	(2,887)
		(10,000)	(13,000)	(14,487)
Net assets		**91,146**	84,237	87,868
Equity				
Called up share capital	*12*	**6,134**	5,576	5,576
Share premium account		**35,943**	33,345	33,345
Own shares		**(851)**	(1,077)	(1,054)
Shares to be issued		**1,643**	2,635	2,706
Other reserves		**31,357**	31,357	31,357
Retained earnings		**16,920**	12,401	15,938
Total equity		**91,146**	84,237	87,868

The notes on pages 15 to 27 form an integral part of the interim report.

Unaudited statement of changes in equity

for the six months ended 30 September 2009

	Share capital £'000	Share premium £'000	Other 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 15 to 27 form an integral part of the interim report.

Unaudited statement of changes in equity *continued*

Six months ended 30 September 2008

	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 2008	5,576	33,345	(233)	2,447	31,357	10,412	82,904
Profit/total comprehensive income for the period	–	–	–	–	–	2,951	2,951
Credit for share-based incentive scheme	–	–	–	282	–	–	282
Exercise of share award	–	–	91	(94)	–	–	(3)
Loss on treasury scheme/employee benefit trust	–	–	–	–	–	(65)	(65)
Fair value adjustment of own shares issued	–	–	–	–	–	74	74
Own shares purchased	–	–	(935)	–	–	–	(935)
Dividends	–	–	–	–	–	(971)	(971)
At 30 September 2008	5,576	33,345	(1,077)	2,635	31,357	12,401	84,237

The notes on pages 15 to 27 form an integral part of the interim report.

Year ended 31 March 2009

	Share capital £'000	Share premium £'000	Other shares £'000	Shares to be issued £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Changes in equity for the year							
At 1 April 2008	5,576	33,345	(233)	2,447	31,357	10,412	82,904
Profit/total comprehensive income for the year	–	–	–	–	–	6,597	6,597
Credit for share-based incentive scheme	–	–	–	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 issued	–	–	–	–	–	315	315
Own shares purchased	–	–	(935)	–	–	–	(935)
Transfer of lapsed option costs	–	–	–	(40)	–	40	–
Dividends	–	–	–	–	–	(1,365)	(1,365)
At 31 March 2009	5,576	33,345	(1,054)	2,706	31,357	15,938	87,868

The notes on pages 15 to 27 form an integral part of the interim report.

Unaudited consolidated statement of cashflows

for the six months ended 30 September 2009

	Note	Six months ended 30 September 2009 £'000	Six months ended 30 September 2008 £'000	Year ended 31 March 2009 £'000
Operating cash flow	*13*	**6,261**	4,157	20,829
Tax paid		**(1,640)**	(1,952)	(3,447)
Net cash inflow from operating activities		**4,621**	2,205	17,382
Investing activities				
Finance income		**1**	39	45
Income from financial assets		**–**	150	150
Purchase of subsidiary undertakings		**(3,150)**	(2,385)	(15,284)
Purchase of property, plant and equipment		**(654)**	(735)	(1,149)
Proceeds from sale of property, plant and equipment		**16**	–	37
Purchase of intangible assets		**(123)**	–	(284)
Decrease in restricted cash deposits		**8**	–	–
Proceeds from vendors under sale and purchase agreement		**–**	935	935
Net cash outflow from investing activities		**(3,902)**	(1,996)	(15,550)
Financing activities				
Net proceeds from issuance of ordinary shares		**3,156**	–	–
Finance costs		**(275)**	(758)	(1,703)
Share repurchases		**–**	(935)	(935)
Net (decrease)/increase in borrowings		**(6,400)**	(3,203)	1,243
Dividends paid		**–**	(971)	(1,365)
Capital element of finance lease payments		**(4)**	(5)	(29)
Net cash outflow from financing activities		**(3,523)**	(5,872)	(2,789)
(Decrease) in cash and cash equivalents		**(2,804)**	(5,663)	(957)
Cash and cash equivalents at start of period		**2,806**	3,763	3,763
Cash and cash equivalents at end of period	*14*	**2**	(1,900)	2,806

The notes on pages 15 to 27 form an integral part of the interim report.

Notes to the Interim Report
for the six months ended 30 September 2009

1. Presentation of financial information
The financial information contained in this Interim Report does not constitute statutory accounts within the meaning of the Companies Act 2006 and has not been audited or reviewed by the Group's auditors.

The financial information for the year to 31 March 2009 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. It is extracted from the statutory accounts for that year that were prepared under IFRS, on which the Group's auditors at that time, PricewaterhouseCoopers LLP, gave an unqualified audit report. Statutory accounts for the year ended 31 March 2009 have been delivered to the Registrar of Companies.

2. Basis of preparation
The Interim Report of Creston plc for the six months ended 30 September 2009 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 2009 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 2009 have been prepared in accordance with the accounting policies contained in the Group's Annual Report and Accounts 2009 and the policies as described in Note 2 above.

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 April 2009:

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of 'non-owner changes in equity' in the statement of changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Under the revised standard, entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: the income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements; and

- IFRS 8, 'Operating segments' replaces IAS 14, 'Segment reporting', and requires a 'management approach' to be adopted, under which segment information is presented on the same basis as that used for internal reporting purposes. The new standard, combined with the management divisional restructuring, has resulted in a new segmental format being presented by the Group.

The following new standards, amendments to standards or interpretations are mandatory for the first time for financial years beginning 1 April 2009, but are not currently relevant for the group:

- IAS 23 (amendment), 'Borrowing costs';

- IAS 28, 'Investments in associates';
- IAS 31 (amendment), 'Interests in joint ventures';
- IAS 32 (amendment) Annual improvements to IFRS;
- IFRS 2 (amendment) 'Share-based payment'; and
- IFRS 7 (amendment), 'Financial instruments: Disclosure'.

The following new standards, amendments to standards or interpretations have been issued, but are not effective for the financial year beginning 1 April 2009 and have not been early adopted:

- IFRS 3 (amendment), 'Business combinations'; and
- IAS 27 (amendment), 'Consolidated and separate financial statements'.

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 and notional finance costs relating to the deferred consideration and will cease once the relevant earn-outs have been settled; and

(ii) Exceptional non-recurring operating charges, which in 2009, consist of restructuring costs, closure costs relating to CML and MSTS and the write off of goodwill in respect of CML. In 2008 there were advisor fees incurred in connection with the aborted offer for the company.

Six months ended 30 September 2009	**PBIT** £'000	**PBT** £'000	**PAT** £'000
Headline	**6,575**	**6,310**	**4,779**
Restructuring costs	(610)	(610)	(610)
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			495
Reported	**1,925**	**1,471**	**435**
Headline Basic EPS (pence)			8.40
Headline Diluted EPS (pence)			8.40
Reported Basic EPS (pence)			0.76
Reported Diluted EPS (pence)			0.76

Six months ended 30 September 2008	PBIT £'000	PBT £'000	PAT £'000
Headline	**7,031**	**6,269**	**4,458**
Restructuring costs	(784)	(784)	(784)
Advisor fees on aborted offer	(160)	(160)	(160)
Future acquisition payments to employees deemed as remuneration	(499)	(499)	(499)
Notional finance costs on future deferred consideration	–	(413)	(413)
Taxation impact	–	–	349
Reported	**5,588**	**4,413**	**2,951**
Headline Basic EPS (pence)			8.25
Headline Diluted EPS (pence)			8.24
Reported Basic EPS (pence)			5.46
Reported Diluted EPS (pence)			5.45

Year ended 31 March 2009	PBIT £'000	PBT £'000	PAT £'000
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 costs on future deferred consideration	–	(880)	(880)
Taxation impact			651
Reported	**12,303**	**10,011**	**6,597**
Headline Basic EPS (pence)			18.75
Headline Diluted EPS (pence)			18.58
Reported Basic EPS (pence)			12.21
Reported Diluted EPS (pence)			12.10

5. Segmental analysis

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 30 September 2009	Insight £'000	Communications £'000	Health £'000	Head office £'000	Group £'000
Turnover (billings)	13,749	44,146	4,899	–	62,794
Revenue	7,845	26,605	4,231	–	38,681
Headline PBIT	**2,373**	**4,003**	**1,390**	**(1,191)**	**6,575**
Restructuring costs	(296)	(314)	–	–	(610)
Goodwill write off	(3,786)	–	–	–	(3,786)
Future acquisition payments to employees deemed as remuneration	(36)	(213)	(5)	–	(254)
Reported PBIT	**(1,745)**	**3,476**	**1,385**	**(1,191)**	**1,925**
Finance income	–	–	–	1	1
Finance costs	(89)	(97)	(3)	(266)	(455)
Profit before taxation	(1,834)	3,379	1,382	(1,456)	1,471
Taxation					(1,036)
Profit for the period					435

Six months ended 30 September 2008	Insight £'000	Communications £'000	Health £'000	Head office £'000	Group £'000
Turnover (billings)	14,570	50,248	4,835	–	69,653
Revenue	8,507	28,844	3,990	–	41,341
Headline PBIT	**2,387**	**5,055**	**1,088**	**(1,499)**	**7,031**
Restructuring costs	(78)	(706)	–	–	(784)
Advisor fees on aborted offer	–	–	–	(160)	(160)
Future acquisition payments to employees deemed as remuneration	(70)	(190)	122	(361)	(499)
Reported PBIT	**2,239**	**4,159**	**1,210**	**(2,020)**	**5,588**
Finance income	–	–	–	39	39
Finance costs	(147)	(332)	67	(952)	(1,364)
Income from financial assets	–	150	–	–	150
Profit before taxation	2,092	3,977	1,277	(2,933)	4,413
Taxation					(1,462)
Profit for the period					2,951

Year ended 31 March 2009	Insight £'000	Communications £'000	Health £'000	Head office £'000	Group £'000
Turnover (billings)	28,213	100,206	10,053	–	138,472
Revenue	16,679	58,690	8,426	–	83,795
Headline PBIT	**4,498**	**11,597**	**2,677**	**(3,167)**	**15,605**
Restructuring costs	(78)	(706)	–	–	(784)
TRA Asia investment impairment	–	(64)	–	–	(64)
Advisor fees on aborted offer	–	–	–	(160)	(160)
Future acquisition payments to employees deemed as remuneration	(148)	(1,513)	51	(684)	(2,294)
Reported PBIT	**4,272**	**9,314**	**2,728**	**(4,011)**	**12,303**
Finance income	–	–	–	45	45
Finance costs	(298)	(648)	66	(1,607)	(2,487)
Income from financial assets	–	150	150	–	–
Profit before taxation	3,974	8,816	2,794	(5,573)	10,011
Taxation					(3,414)
Profit for the period					6,597

The new requirements under IFRS 8, 'operating segments', combined with the management divisional restructuring, has resulted in a new segmental format being presented by the Group, and therefore the comparatives for 2009 have been reported under the new segmental format.

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 advertising, 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 sector 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 therefore have chosen to adopt early amendments to IFRS 8 of not segmenting 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.

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 2009 £'000	Six months ended 30 September 2008 £'000	Year ended 31 March 2009 £'000	**Six months ended 30 September 2009 £'000**	Six months ended 30 September 2008 £'000	Year ended 31 March 2009 £'000
UK	**31,667**	31,950	66,312	**51,901**	55,421	110,093
Rest of Europe	**5,341**	8,634	15,208	**8,966**	13,344	25,650
Rest of the World	**1,673**	757	2,275	**1,927**	888	2,729
	38,681	41,341	83,795	**62,794**	69,653	138,472

6. Taxation

The effective Reported tax rate for the period ended 30 September 2009 is 70% (the effective Reported tax rate for the period ended 30 September 2008 was 33%). The rate for this period is high due to the goodwill write off for CML. Creston is currently in discussion with the HMRC with regards to obtaining further tax relief on this goodwill write off.

The effective Headline tax rate for the period ended 30 September 2009 is 24% (the effective Headline tax rate for the six months ended 30 September 2008 was 29%). This rate is lower than previous years due to the release of tax provisions.

7. Earnings per share

	Reported earnings per share for the six months ended 30 September 2009			Headline earnings per share for the six months ended 30 September 2009		
	Reported profit for the financial period £'000	Weighted average number of shares	Pence per share	Headline profit for the financial period £'000	Weighted average number of shares	Pence per share
Basic earnings per share	435	56,898,349	0.76	4,779	56,898,348	8.40
Dilutive effect of shares	–	–	–	–	–	–
Diluted earnings per share	435	56,898,349	0.76	4,779	56,898,349	8.40

	Reported earnings per share for the six months ended 30 September 2008			Headline earnings per share for the six months ended 30 September 2008		
	Reported profit for the financial period £'000	Weighted average number of shares	Pence per share	Headline profit for the financial period £'000	Weighted average number of shares	Pence per share
Basic earnings per share	2,951	54,007,428	5.46	4,458	54,007,428	8.25
Dilutive effect of shares	–	125,640	(0.01)	–	125,640	(0.01)
Diluted earnings per share	2,951	54,133,068	5.45	4,458	54,133,068	8.24

	Reported earnings per share for the year ended 31 March 2009			Headline earnings per share for the year ended 31 March 2009		
	Reported profit for the financial period £'000	Weighted average number of shares	Pence per share	Headline profit for the financial period £'000	Weighted average number of shares	Pence per share
Basic earnings per share	6,597	54,011,332	12.21	10,128	54,011,332	18.75
Dilutive effect of shares	–	507,041	(0.11)	–	507,041	(0.17)
Diluted earnings per share	6,597	54,518,373	12.10	10,128	54,518,373	18.58

Diluted Earnings Per Share (DEPS) has been calculated based on the following dilutive element:

nil restricted shares have vested but not been issued at the balance sheet date (2008: 125,640).

The Headline EPS and Headline diluted EPS 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.

8. Dividends

The Board has declared nil interim dividend (2008: 0.73 pence) per share.

9. Non-current assets

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	654	–	123
Disposals	(19)	–	–
Transfer from tangibles/ to intangibles	(65)	–	65
Write off of goodwill	–	(3,786)	–
Adjustments to consideration	–	11	–
Depreciation and amortisation	(683)	–	(151)
Net book amount at 30 September 2009	**2,401**	**119,081**	**1,619**

Six months ended 30 September 2008

	Property, plant and equipment £'000	Intangible assets – goodwill £'000	Intangible assets – other £'000
Net book amount at 1 April 2008	3,622	119,565	1,440
Additions	735	–	–
Adjustments to consideration	–	(288)	–
Depreciation and amortisation	(1,156)	–	(11)
Net book amount at 30 September 2008	**3,201**	**119,277**	**1,429**

Year ended 31 March 2009

	Property, plant and equipment £'000	Intangible assets – goodwill £'000	Intangible assets – other £'000
Net book amount at 1 April 2008	3,622	119,565	1,440
Additions	1,149	–	284
Disposals	(19)	–	(21)
Transfer from tangibles/to intangibles	(292)	–	292
Adjustments to consideration	–	3,218	–
Depreciation and amortisation	(1,946)	–	(413)
Fair value adjustment	–	73	–
Net book amount at 31 March 2009	**2,514**	**122,856**	**1,582**

10. Derivative financial instrument

The derivative financial instrument has been calculated by assessing the movement in fair value of the forward contract. This contract qualifies for hedge accounting and has been treated as a cashflow hedge, and therefore the effective portion of the change in fair value is recognised within the statement of comprehensive income. The ineffective portion is recognised directly in the income statement.

11. Provisions for other liabilities and charges

In prior years, short term and long term provisions for other liabilities and charges represent the fair value of deferred consideration. The deferred consideration would have been settled by a mixture of shares, cash and loan notes, dependent on the terms of the relevant sale and purchase agreement. The deferred consideration has now been settled by a mixture of cash and loan notes dependent on the terms of the relevant sale and purchase agreement. There is no further outstanding deferred consideration.

12. Share capital

The Group issued 5,576,100 new Ordinary Shares at 60 pence per share to raise approximately £3.3m (gross) on 10 July 2009. The number of called up, allotted and fully paid shares at 30 September 2009 is 61,337,338 (30 September 2008: 55,761,238).

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

	Six months ended 30 September 2009 £'000	Six months ended 30 September 2008 £'000	Year ended 31 March 2009 £'000
Profit for the period	**435**	2,951	6,597
Taxation	**1,036**	1,462	3,414
Profit before taxation	**1,471**	4,413	10,011
Income from financial assets	**–**	(150)	(150)
Finance costs	**455**	1,364	2,487
Finance income	**(1)**	(39)	(45)
Profit before finance income, finance costs, income from financial assets and taxation	**1,925**	5,588	12,303
Depreciation of property, plant and equipment	**683**	1,156	1,946
Amortisation of intangible assets	**151**	11	413
Share based payments	**(123)**	10	109
Goodwill write off	**3,786**		
Deemed remuneration	**254**	499	2,294
Loss on disposal of property, plant and equipment	**3**	–	17
(Increase)/decrease in inventories and work in progress	**(857)**	(1,329)	267
Decrease/(increase) in trade and other receivables	**1,575**	(2,478)	2,834
(Decrease)/increase in trade and other payables	**(1,136)**	700	646
Operating cash flow	**6,261**	4,157	20,829

14. Analysis of net debt

Six months ended 30 September 2009

	As at 1 April 2009 £'000	Cash Flow £'000	Acquisitions £'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)	8	(19,680)	**(19,695)**
Bank loans	(14,400)	1,400		**(13,000)**
Finance leases	(8)	4		**(4)**
Net (debt)	(18,625)	3,608	(19,680)	**(34,697)**
Restricted cash deposits	22	(8)		**14**
Net (debt) including restricted cash deposits	(18,603)	3,600	(19,680)	**(34,683)**

Six months ended 30 September 2008

	As at 1 April 2008 £'000	Cash Flow £'000	Acquisitions £'000	As at 30 September 2008 £'000
Cash and short term deposits	3,763	(3,763)	–	**–**
Bank overdrafts	–	(1,900)	–	**(1,900)**
Revolving credit facility	(3,000)	1,000	–	**(2,000)**
Acquisition loan notes	(1,432)	2,385	(13,720)	**(12,767)**
Bank loans	(17,157)	2,200	–	**(14,957)**
Finance leases	(39)	5	–	**(34)**
Net (debt)	(17,865)	(73)	(13,720)	**(31,658)**
Restricted cash deposits	22	(3)	–	**19**
Net (debt) including restricted cash deposits	(17,843)	(76)	(13,720)	**(31,639)**

Year ended 31 March 2009

	As at 1 April 2008 £'000	Cash Flow £'000	Acquisitions £'000	**As at 31 March 2009 £'000**
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)**

The restricted cash deposits are maintained in a designated account as security for the loan notes issued on the acquisition of MSL and are, therefore, not freely available to the Group.

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

	30 September 2009 £'000	30 September 2008 £'000	31 March 2009 £'000
Current	**24,695**	18,624	9,823
Non-current	**10,000**	13,000	11,600
	34,695	31,624	21,423

15. Related-party transactions

During the six months ended 30 September 2009 total fees of £29,082 (six months ended 30 September 2008: £31,789) were paid to City Group P.L.C. £14,082 (2008: £16,789) for the provision of secretarial services and £15,000 (2008: £15,000) for the services of Mr D C Marshall.

16. Key risks and uncertainties

As detailed on page 32 of the 2009 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 2009 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 forward contract for €5 million maturing in August 2010.

17. Statement of directors' responsibilities

The Directors' confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8; 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 2009. A list of current directors is maintained on the Creston website: www.creston.com.

By order of the Board
Don Elgie
30 November 2009
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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