HUNTSWORTH

Interim results for the six months to 30 June 2016

Progress on turnaround, Headline PBT up 21%

Huntsworth plc, the healthcare communications and public relations group, today announces its interim results for the six months to 30 June 2016.

Highlights

	30 June 2016	**30 June 2015**
Revenue	£86.6m	£83.2m
Loss before tax	£8.9m	£45.9m
Basic & diluted loss per share	2.7p	13.5p
Headline operating profit[1]	£7.3m	£6.3m
Headline profit before tax[1]	£6.4m	£5.3m
Headline basic & diluted EPS[1]	1.4p	1.2p
Dividend per share	0.5p	0.5p
Net debt	£37.1m	£33.5m

- Headline profit before tax up by 21%
- Growth at 3 of the 4 divisions, led by continued strong growth at Huntsworth Health
- Continued challenging trading at Grayling
- Final phase of Grayling restructuring in process
- Interim dividend maintained at 0.5p

Paul Taaffe, CEO of Huntsworth plc, commented:

"Over 20% profit growth in the first half is a product of accelerating growth at Huntsworth Health, Red and Citigate Dewe Rogerson. The final phase of restructuring is now underway at Grayling which should deliver upside in 2017.

Business momentum in Huntsworth Health remains strong, especially in the US, which will offset the impact that the Grayling restructure imposes on growth and any potential fallout from the uncertainty created by the UK's EU membership referendum vote."

Notes:

1. Unless otherwise stated, results have been adjusted to exclude highlighted items. An explanation of how all non-IFRS measures have been calculated is included in Appendix 1.
2. Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures. A reconciliation of like-for-like revenue growth to IFRS revenue growth is included in Appendix 1.

Enquiries
Huntsworth **020 3861 3999**
Paul Taaffe, Chief Executive Officer
Neil Jones, Chief Financial Officer

Citigate Dewe Rogerson **020 7638 9571**
Simon Rigby
Georgia Colkin

Chief Executive's Statement

Group overview[1]

Revenues for the first half of 2016 were £86.6 million (2015: £83.2 million), an increase of 4.0% compared to the prior year, 0.3% on a like-for-like[2] basis. Profit before tax was £6.4 million (2015: £5.3 million), an increase of 21%.

The first half of the year has seen a continuation of the trading trends seen at the end of 2015, with double-digit growth and market share gains at Huntsworth Health, Red growing well in a flat market and Citigate Dewe Rogerson ('CDR') returning to growth. As noted in March 2016, Grayling is experiencing challenging trading conditions, particularly in the US, which is the main focus of our final phase of restructuring, but also in the Middle East and African ('META') region, which has suffered client losses and delays in client renewals.

Our main focus for growth is Huntsworth Health, which continues to perform strongly. Healthcare is a growing sector as clients seek a more differentiated and increasingly digital offer for their medical and marketing communications needs and we believe the agencies in Huntsworth Health are well positioned to benefit from this trend.

The improved performance of three of the four businesses in the first half has allowed us to accelerate the remaining restructuring and investment within the Group so that all divisions can contribute to their potential in the second half.

The Group's net debt at 30 June 2016 was £37.1 million (2015: £33.5 million), which is comfortably within its banking facilities which are secured until 31 May 2019.

Restructuring

Our focus in the first half of 2016 has been to re-shape the US offering in Grayling. In particular we have taken the following actions:

- Commencing our exit from the US state lobbying business;
- Rationalisation of the US PR offering, with a focus on longer-term and bigger client mandates;
- Reduction of overheads.

This exercise will continue into the second half of the year, after which the Group's restructuring programme will be substantially complete.

In light of the underperformance of Grayling, combined with the exit from the US state lobbying business, the Board thought it was appropriate to re-evaluate the carrying value of Grayling's goodwill, which led to an impairment of £15.0 million.

We expect that the impact of the restructuring in Grayling, along with the re-focus of management and elimination of loss making businesses will see the division improve performance in 2017.

Finally, we continue to adjust the scope and cost of central services, to be more appropriate for a Group of our current size, and we will make further changes during the second half of the year to achieve this.

Chief Executive's Statement

Divisional overview

Huntsworth Health

First half-year 2016 revenues grew 18% or 11.4% on a like-for-like basis to £41.5 million, delivering an operating margin of 19.4% (H1 2015 18.7%).

Huntsworth Health continues to perform well above industry averages with double-digit revenue and operating profit growth. This growth is being driven by the US market where our full service digital consumer agency Evoke Health grew like-for-like revenues in H1 2016 by 21.9%, medical communications and market access agency ApotheCom grew like-for-like US revenues by 23.3%, and PR agency Tonic Life Communications grew like-for-like US revenues by 11.3%.

New business momentum remains solid going into H2 with recent large global wins. In keeping with our vision we have won several integrated accounts that involved talented specialists from two or more of our agencies pitching as an integrated team. In addition, and also consistent with our strategic growth plan, we have won business from an expanded client base with wins at genomics, diagnostics, and medical device companies.

Huntsworth Health continues to invest in new organic growth opportunities with a new Evoke Health office in Santa Monica and new strategic consulting group called TraverseHealth Strategy and a digitally-driven, full service, marketing communications agency named FIRSTHAND. We also continue to invest in the very best talent we can find.

Citigate Dewe Rogerson

CDR's revenues grew by 6.9%, or 4.4% on a like-for-like basis to £10.7 million, delivering margins of 15.1% (H1 2015 14.7%).

In the UK we are beginning to see the benefits of our investments in new talent and building on sector specialisms, with like-for-like revenues up by 5.3% in the first half of the year, despite continued intense price competition and lower volumes of transaction mandates. Margins are slightly lower as a result of these talent investments. In January, CDR's financial division established a New York presence, which adds to its international reach and allows it to access the US market. This office is already contributing positively to the division.

The Continental European business saw an expected fall in like-for-like revenue of 1.7% as a result of tough comparatives in the Netherlands, which saw particularly strong transaction revenues in the first half of 2015. The Asia Pacific division of CDR performed strongly achieving like-for-like growth of 6% in the first half of 2016 with increased margins as the division continued to develop its regional corporate communications portfolio and transactional business.

In the first half of the year CDR won a number of significant new client mandates including Accor Hotels, British Sugar plc and Hotel Chocolat in the UK as well as FXTM in the UK and China. In France new clients included Biophytis, Adisseo and Eurosic. CDR Singapore completed 4 out of the 7 IPOs listed in the first half, including the IPO of Frasers Logistics and Industrial Trust – the largest IPO in Singapore in 3 years. Despite lower transaction volumes CDR continues to advise on IPO listings and M&A transactions.

Grayling

Grayling revenues fell 12.4%, or 14.7% on a like-for-like basis to £27.8 million, resulting in a loss of £0.1 million for the period (H1 2015 profit £0.7 million).

Performance has varied between regions in the first half of 2016. Continental Europe remains the strongest and most profitable part of the division and we are starting to realise the benefits of the changes made to the leadership team in 2015, with management making strides to improve its underperforming operations.

Following a restructure in late 2015 and incremental costs from consolidating its London property portfolio, the UK business is beginning to make progress, both retaining a number of major clients and generating positive net new client wins, which are helping to move the business toward a profitable exit to the year.

The META region has experienced a difficult trading period with the loss of a major client and the end of one of its biggest projects, which have impacted on its profitability. On a more positive note, it has continued to execute its strategy of expanding into new territories in both the Middle East and Africa.

The US business continues to see net client losses in its PR and lobbying businesses as it exits its traditional smaller/ higher churn client base, which will take the remainder of 2016. The US is consolidating and simplifying its model over the next six months, exiting its state and local lobbying activities, in order to pursue higher value PR budgets, digital marketing and branding opportunities, positioning it for a return to growth.

The division is being re-focused to ensure it exits 2016 in profit. The remaining restructuring in Grayling will be substantially completed in the second half of the year.

Red

Red performed strongly in the first half of the year with revenues growing by 3.5% to £6.6 million. Operating profit for the half year grew by 10.8% to £1.2 million, improving margins by 1.2% on H1 2015 to 18.2%.

Highlights in the first half of 2016 were increased demand for marketing content led by a major digital publishing initiative for Boots; launch campaigns for travel industry giants Emirates and Royal Caribbean and significant consumer technology and B2B technology awareness driving for Adobe, Samsung and the UK Government's Get Safe On Line campaign. New clients added in the first half included Spotify, Total Jobs and Sanofi. The agency was also named the Media Employer of the Year.

Dividend

The interim dividend will remain at 0.5 pence (H1 2015: 0.5 pence).

Group outlook

Huntsworth Health continues to perform strongly which, together with more favourable exchange rates, should offset any impact that the ongoing Grayling restructure may create. While there has been no trading impact as yet, the Group's UK PR businesses are seeing some client uncertainty following the EU referendum vote.

Review of Financial Results

Summary of financial results for the six months ended 30 June 2016

	2016 £m	Like-for-like growth %	2015 £m
Revenue			
Huntsworth Health	41.5	11.4%	35.2
Grayling	27.8	(14.7)%	31.7
CDR	10.7	4.4%	10.0
Red	6.6	3.5%	6.4
Total revenue	**86.6**	**0.3%**	**83.2**

	2016 £m	Margin %	2015 £m	Margin %
Operating profit/(loss)				
Huntsworth Health	8.0	19.4%	6.6	18.7%
Grayling	(0.1)	(0.3)%	0.7	2.3%
CDR	1.6	15.1%	1.5	14.7%
Red	1.2	18.2%	1.1	17.0%
Total operations	10.7	12.4%	9.9	11.9%
Central costs	(3.4)		(3.6)	
Operating profit before highlighted items	**7.3**	**8.5%**	**6.3**	**7.6%**
Highlighted items (Note 3)	(15.2)		(51.1)	
Reported operating loss	**(7.9)**		**(44.8)**	
Adjusted basic & diluted EPS	1.4p		1.2p	
Reported basic & diluted EPS	(2.7)p		(13.5)p	

Revenue and profit before highlighted items

Revenue in the six months to 30 June 2016 increased by £3.4 million to £86.6 million (H1 2015: £83.2 million).

On a like-for-like basis, revenues grew by 11.4% in Huntsworth Health, 3.5% in Red, and 4.4% in CDR. Grayling revenues declined by 14.7%. Overall, Group revenue grew by 0.3% on a like-for-like basis in the first half of the year.

Operating margins have improved in all divisions except Grayling. Overall Group operating profits before central costs increased by £0.8 million to £10.7 million, generating a Group operating margin before central costs of 12.4% (H1 2015: 11.9%).

Review of Financial Results (continued)

Highlighted items

Highlighted operating expenses in the first half of 2016 are the amortisation of intangible assets (£0.4 million), goodwill impairment (£15.0 million), acquisition and transaction related credits (£0.7 million credit) and restructuring costs (£0.4 million).

After total highlighted operating expenses of £15.2 million, the statutory reported operating loss was £7.9 million (H1 2015: loss £44.8 million).

Currency

The impact of changes in exchange rates versus H1 2015 was to increase revenues by £3.6 million and increase reported operating profits by £0.1 million.

The weakening of Sterling against the Euro and the Dollar has also resulted in a £10.8 million credit to Other Comprehensive Income and Expense resulting from the retranslation of the Group's overseas assets.

Tax

The total tax credit comprises a pre-highlighted tax expense of £1.8 million together with a credit of £1.8 million on highlighted items. The pre-highlighted tax expense is based on the expected full year tax rate of 29.0% (year ended 31 December 2015: 27.0%). The highlighted tax credit of £1.8 million includes a £1.5 million deferred tax credit relating to the goodwill impairment charge in the period.

Earnings per share

Profits attributable to ordinary shareholders before highlighted items were £4.5 million (H1 2015: £3.8 million). Adjusted basic earnings per share increased to 1.4p (H1 2015: 1.2p) and adjusted diluted earnings per share also increased to 1.4p (H1 2015: 1.2p).

Losses attributable to ordinary shareholders after highlighted items were £8.9 million (H1 2015: loss £43.2 million), resulting in basic and diluted loss per share of 2.7p (H1 2015: loss 13.5p).

Dividends

The interim dividend will be 0.5 pence per share (H1 2015: 0.5 pence). The record date for this dividend will be 30 September 2016 and it is payable on 4 November 2016. A scrip dividend alternative will be available.

Balance sheet and cash flow

Cash inflow from operations totalled £0.1 million (H1 2015: £7.3 million), before highlighted cash outflows of £1.4 million. Other principal cashflows during the period were net payments for interest, tax and non-current assets of £5.2 million (H1 2015: £2.7 million).

Net debt at 30 June 2016 is £37.1 million (30 June 2015: £33.5 million; 31 December 2015: £30.4 million) which is within the Group's available facilities. Financial covenants based on the Group's facility agreements continue to be comfortably met.

Earn-out obligations

Future earn-out obligations as at 30 June 2016 are estimated to be £nil.

Key risks and uncertainties

The Directors monitor the risks that the Group is exposed to and the risk management processes and internal controls in place to mitigate these risks. The Directors have considered whether the nature or level of risk that the Group is exposed to has changed significantly in the first half of 2016 and have concluded that the risks of economic downturn in the UK businesses and currency risk across the Group have increased as a result of the UK referendum decision to leave the European Union. The Directors consider that it is too early to quantify the exact impact and will keep the situation under review and act to mitigate any increased risks accordingly. There have been no other significant changes since the 2015 Annual Report and Accounts were published.

As described more fully on pages 28 to 31 of the 2015 Annual Report and Accounts, the Group's key risks and uncertainties are identified as:

- economic downturn – this can result in fewer new client mandates, longer procurement processes, pricing pressures and an increased risk of bad debt;
- service offering fails to evolve to meet changing market needs – failure to evolve can result in loss of market share, client losses and pressures on pricing;
- investment decisions fail to deliver expected growth – investments may be less financially beneficial than anticipated;
- loss of key clients – impacting revenue and profit;
- loss of key talent – key individuals maintain client relationships and service quality;
- information systems access and security – breaches could compromise operations;
- unethical business practices – potentially leading to reputational and/or financial damage;
- currency risk – arising from the Group having significant operations in the USA and Europe;
- loan facility and covenant headroom risk – resulting in reputational damage and/or impairing the Group’s ability to make future acquisitions or settle existing obligations;
- legal and regulatory compliance – potentially giving rise to reputational and/or financial damage.

The Group performs a comprehensive annual review of the effectiveness of the Group’s risk management processes, involving the Board of Directors and all senior management teams around the Group to ensure that appropriate actions are undertaken to manage these risks.

Forward looking statements

The interim management report contains certain forward looking statements in respect of Huntsworth plc and the operation of its subsidiaries. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

Notes to editors:

1. Huntsworth plc is a healthcare communications and public relations group with 59 principal offices across 29 countries. In the first half of 2016 the Group worked for circa 1,413 clients.
2. The Group comprises four divisions: Huntsworth Health, Grayling, CDR and Red. At 30 June 2016 the Group employed approximately 1,560 staff with an average annual fee income per FTE of £109,300.
3. Geographically, 51% of Group revenue in the first half of 2016 was from the US; 29% from the UK; 14% from European countries and 6% from the Asia Pacific, the Middle East and Africa.
4. 53% of the Group's revenue is derived from companies in the FTSE 100, Fortune 500, FTSEurofirst 300 or Top 50 Pharma Companies (Top 50 Pharma Companies list as published by the Med Ad News).

Condensed Consolidated Income Statement

for the six months ended 30 June 2016

	Notes	**Six months ended 30 June 2016 £000**	Six months ended 30 June 2015 £000	Audited Year ended 31 December 2015 £000
Turnover		**104,818**	100,959	208,802
Revenue	2	**86,556**	83,245	168,398
Operating expenses before highlighted items		**(79,229)**	(76,928)	(153,145)
Operating expenses – highlighted items	3	**(15,207)**	(51,106)	(53,071)
Operating expenses		**(94,436)**	(128,034)	(206,216)
Operating profit before highlighted items	2	**7,327**	6,317	15,253
Highlighted items	3	**(15,207)**	(51,106)	(53,071)
Operating loss		**(7,880)**	(44,789)	(37,818)
Finance income	4	**5**	3	7
Finance costs	4	**(978)**	(1,064)	(2,008)
Net finance costs		**(973)**	(1,061)	(2,001)
Profit before tax and highlighted items		**6,354**	5,256	13,252
Highlighted items	3	**(15,207)**	(51,106)	(53,071)
Loss before tax		**(8,853)**	(45,850)	(39,819)
Tax expense before highlighted items	5	**(1,845)**	(1,419)	(3,584)
Tax credit – highlighted items	3,5	**1,819**	4,109	3,964
Tax (expense)/credit		**(26)**	2,690	380
Profit for the period before highlighted items		**4,509**	3,837	9,668
Highlighted items, net of tax	3	**(13,388)**	(46,997)	(49,107)
Loss for the period attributable to Parent Company's equity shareholders		**(8,879)**	(43,160)	(39,439)

(Loss)/earnings per share:				
Basic – pence	7	**(2.7)**	(13.5)	(12.3)
Diluted – pence	7	**(2.7)**	(13.5)	(12.3)
Adjusted basic – pence*	7	**1.4**	1.2	3.0
Adjusted diluted – pence*	7	**1.4**	1.2	3.0

*Adjusted basic and diluted earnings per share are calculated based on the profit for the period adjusted for highlighted items and the related tax effects (Note 7).

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2016

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Audited Year ended 31 December 2015 £000
Loss for the period	**(8,879)**	(43,160)	(39,439)
Other comprehensive income and expense			
Items that may be reclassified subsequently to the Income Statement			
Currency translation differences	**10,786**	(2,634)	3,655
Tax credit/(expense) on currency translation differences	**386**	(167)	(78)
Amounts recognised in the Income Statement on interest rate swaps	**96**	77	157
Movement in valuation of interest rate swaps	**(754)**	37	(186)
Tax credit/(expense) on interest rate swaps	**132**	(23)	6
Total items that may be reclassified subsequently to profit or loss	**10,646**	(2,710)	3,554
Other comprehensive income and expense for the period	**10,646**	(2,710)	3,554
Total comprehensive income and expense for the period attributable to Parent Company's equity shareholders	**1,767**	(45,870)	(35,885)

Condensed Consolidated Balance Sheet

as at 30 June 2016

	Notes	**30 June 2016 £000**	30 June 2015 £000	Audited 31 December 2015 £000
Non-current assets				
Intangible assets	8	**172,506**	173,926	178,737
Property, plant and equipment		**9,950**	7,442	8,083
Other receivables		**170**	199	199
Derivative financial assets	9	**-**	51	-
Deferred tax assets		**2,377**	2,961	1,466
		185,003	184,579	188,485
Current assets				
Work in progress		**5,021**	4,259	3,537
Trade and other receivables		**54,671**	44,183	44,363
Current tax receivable		**574**	638	518
Derivative financial assets	9	**-**	68	-
Cash and short-term deposits	12	**10,544**	13,680	8,918
		70,810	62,828	57,336
Current liabilities				
Obligations under finance leases		**(3)**	(4)	(4)
Trade and other payables		**(47,523)**	(47,391)	(44,226)
Derivative financial liabilities	9	**(581)**	-	-
Current tax payable		**(1,044)**	(922)	(853)
Provisions	11	**(1,322)**	(1,250)	(2,164)
		(50,473)	(49,567)	(47,247)
Non-current liabilities				
Bank loans	10,12	**(46,280)**	(47,260)	(39,172)
Obligations under finance leases		**(26)**	(23)	(21)
Trade and other payables		**(1,814)**	(1,254)	(1,320)
Derivative financial liabilities	9	**(750)**	-	(92)
Deferred tax liabilities		**(199)**	(243)	(202)
Provisions	11	**(2,147)**	(2,920)	(2,465)
		(51,216)	(51,700)	(43,272)
Net assets		**154,124**	146,140	155,302
Equity				
Called up share capital		**107,185**	107,166	107,170
Share premium account		**62,801**	62,655	62,811
Merger reserve		**29,468**	32,543	30,369
Foreign currency translation reserve		**34,695**	17,620	23,909
Hedging reserve		**(750)**	51	(92)
Treasury shares		**(1,166)**	(1,475)	(1,166)
Investment in own shares		**(1,867)**	(4,389)	(4,095)
Retained earnings		**(76,242)**	(68,031)	(63,604)
Equity attributable to equity holders of the parent		**154,124**	146,140	155,302

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2016

	Notes	**Six months ended 30 June 2016 £000**	Six months ended 30 June 2015 £000	Audited Year ended 31 December 2015 £000
Cash (outflow)/inflow from operating activities				
Cash (outflow)/inflow from operations	12(a)	**(1,342)**	5,800	15,154
Interest paid		**(795)**	(874)	(1,765)
Interest received		**4**	3	7
Cash flows from hedging activities		**-**	17	17
Net current tax paid		**(505)**	(708)	(1,307)
Net cash (outflow)/ inflow from operating activities		**(2,638)**	4,238	12,106
Cash outflow from investing activities				
Deferred consideration payments		**-**	(662)	(662)
Acquisition of intangible assets		**(488)**	-	-
Cost of internally developed intangible assets		**(505)**	(122)	(612)
Purchases of property, plant and equipment		**(2,930)**	(1,000)	(2,051)
Proceeds from sale of property, plant and equipment		**7**	4	104
Net cash outflow from investing activities		**(3,916)**	(1,780)	(3,221)
Cash inflow/(outflow) from financing activities				
Proceeds from sale of own shares to settle share options		**251**	16	227
Repayment of finance lease liabilities		**(2)**	(5)	(7)
Net drawdown/(repayment) of borrowings		**6,975**	2,801	(5,420)
Dividends paid to equity holders of the parent		**-**	-	(3,827)
Net cash inflow/(outflow) from financing activities		**7,224**	2,812	(9,027)
Increase/(decrease) in cash and cash equivalents		**670**	5,270	(142)
Movements in cash and cash equivalents				
Increase/(decrease) in cash and cash equivalents		**670**	5,270	(142)
Effects of exchange rate fluctuations on cash held		**956**	(416)	234
Cash and cash equivalents at 1 January		**8,918**	8,826	8,826
Cash and cash equivalents at end of period		**10,544**	13,680	8,918

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2016

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Retained earnings £000	Total Equity £000
At 1 January 2015 (audited)	**107,157**	**62,635**	**43,422**	**20,254**	**(63)**	**(1,568)**	**(4,775)**	**(33,188)**	**193,874**
Loss for the period	-	-	-	-	-	-	-	(43,160)	(43,160)
Other comprehensive income/(expense)	-	-	-	(2,634)	114	-	-	(190)	(2,710)
Total comprehensive income	-	-	-	(2,634)	114	-	-	(43,350)	(45,870)
Settlement of deferred consideration	8	-	338	-	-	-	-	-	346
Settlement of share options	1	20	-	-	-	93	386	(483)	17
Credit for share-based payments	-	-	-	-	-	-	-	162	162
Tax on share-based payments	-	-	-	-	-	-	-	(4)	(4)
Equity dividends	-	-	-	-	-	-	-	(2,385)	(2,385)
Transfer			(11,217)					11,217	-
At 30 June 2015	**107,166**	**62,655**	**32,543**	**17,620**	**51**	**(1,475)**	**(4,389)**	**(68,031)**	**146,140**
Loss for the year	-	-	-	-	-	-	-	3,721	3,721
Other comprehensive income/(expense)	-	-	-	6,289	(143)	-	-	118	6,264
Total comprehensive income	-	-	-	6,289	(143)	-	-	3,839	9,985
Settlement of share options	-	21	-	-	-	309	294	(414)	210
Share issue costs	-	(18)	-	-	-	-	-	-	(18)
Credit for share-based payments	-	-	-	-	-	-	-	230	230
Credit for unclaimed dividends	-	-	-	-	-	-	-	230	230
Tax on share-based payments	-	-	-	-	-	-	-	(33)	(33)
Scrip dividends	4	153	-	-	-	-	-	-	157
Equity dividends	-	-	-	-	-	-	-	(1,599)	(1,599)
Transfer	-	-	(2,174)	-	-	-	-	2,174	-
At 31 December 2015 (audited)	**107,170**	**62,811**	**30,369**	**23,909**	**(92)**	**(1,166)**	**(4,095)**	**(63,604)**	**155,302**
Loss for the period	-	-	-	-	-	-	-	(8,879)	(8,879)
Other comprehensive income/(expense)	-	-	-	10,786	(658)	-	-	518	10,646
Total comprehensive income	-	-	-	10,786	(658)	-	-	(8,361)	1,767
Settlement of deferred consideration	15	-	593	-	-	-	-	-	608
Settlement of share options	-	-	-	-	-	-	2,228	(1,977)	251
Share issue costs	-	(10)	-	-	-	-	-	-	(10)
Credit for share-based payments	-	-	-	-	-	-	-	269	269
Tax on share-based payments	-	-	-	-	-	-	-	8	8
Equity dividends	-	-	-	-	-	-	-	(4,071)	(4,071)
Transfer	-	-	(1,494)	-	-	-	-	1,494	-
At 30 June 2016	**107,185**	**62,801**	**29,468**	**34,695**	**(750)**	**(1,166)**	**(1,867)**	**(76,242)**	**154,124**

Notes to the Financial Statements

for the six months ended 30 June 2016

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, IAS 34 "Interim Financial Reporting" and the Group's accounting policies.

The Group's accounting policies are in accordance with International Financial Reporting Standards as adopted by the European Union and are set out in the Group's Annual Report and Accounts 2015 on pages 86 - 90, except as noted below. These are consistent with the accounting policies which the Group expects to adopt in its 2016 Annual Report. The Group has not early adopted any Standard, Interpretation or Amendment that has been issued but is not yet effective.

The information relating to the six months ended 30 June 2016 and 30 June 2015 is unaudited and does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The information has however been reviewed by the auditors and their report to the Board of Huntsworth plc is set out on page 27 of this document. The comparative figures for the year ended 31 December 2015 have been extracted from the Group's Annual Report and Accounts 2015, on which the auditors gave an unmodified opinion and did not include a statement under section 498 (2) or (3) of the Companies Act 2006. The Group Annual Report and Accounts for the year ended 31 December 2015 have been filed with the Registrar of Companies.

Changes in accounting policies

The following new standards, amendments to standards and interpretations were mandatory for the first time for the financial year beginning 1 January 2016, but had no significant impact on the Group:
Annual Improvements (2012–2014 Cycle);
IFRS 11 (amendment) – Accounting for Acquisition of Interests in Joint Operations;
IAS 16 and IAS 38 (amendment) – Clarification of Acceptable Methods of Depreciation and Amortisation;
IAS 16 and IAS 41 (amendment) – Bearer Plants;
IAS 27 (amendment) – Equity Method in Separate Financial Statements;
IAS 1 (amendment) – Disclosure Initiative; and
IFRS 10, IFRS 12, IAS 28 (amendment) Investment entities: applying the consolidation exception.

Going concern

After reviewing the Group's performance, future forecasted performance and cash flows, ability to draw down on its facilities and the covenant requirements of those facilities, and after considering the key risks and uncertainties set out on page 8, the Directors consider that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Notes to the Financial Statements continued

for the six months ended 30 June 2016

2. Segmental analysis

The following is an analysis of the Group's revenue and operating profit before highlighted items by reportable segment.

6 months to 30 June 2016	CDR £000	Grayling £000	Red £000	Huntsworth Health £000	**Total £000**
Segment revenue	10,655	27,817	6,598	41,486	**86,556**
Segment operating profit/(loss) before highlighted items	1,606	(85)	1,203	8,046	**10,770**

6 months to 30 June 2015	CDR £000	Grayling £000	Red £000	Huntsworth Health £000	**Total £000**
Segment revenue	9,965	31,739	6,372	35,169	**83,245**
Segment operating profit before highlighted items	1,470	737	1,086	6,592	**9,885**

Year ended 31 December 2015	CDR £000	Grayling £000	Red £000	Huntsworth Health £000	**Total £000**
Segment revenue	20,039	63,209	12,830	72,320	**168,398**
Segment operating profit before highlighted items	3,075	2,645	2,602	13,784	22,106

Highlighted items are not presented to the Board on a segmental basis.

2. Segmental analysis continued

A reconciliation of segment operating profit before highlighted items to profit before tax is provided below:

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Segment operating profit before highlighted items	**10,770**	9,885	22,106
Central costs	**(3,443)**	(3,568)	(6,853)
Operating profit before highlighted items	**7,327**	6,317	15,253
Highlighted items	**(15,207)**	(51,106)	(53,071)
Operating loss	**(7,880)**	(44,789)	(37,818)
Net finance costs	**(973)**	(1,061)	(2,001)
Loss before tax	**(8,853)**	(45,850)	(39,819)

3. Highlighted items

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Highlighted items charged to operating expenses			
Amortisation of intangible assets	**439**	397	789
Goodwill impairment	**15,034**	48,764	48,764
Impairment of software development costs	-	579	579
Restructuring costs	**443**	1,322	3,292
Acquisition and transaction related (credit)/costs	**(709)**	44	(353)
Total charged to operating expenses	**15,207**	51,106	53,071
Charged to profit before tax	**15,207**	51,106	53,071
Tax credit	**(1,819)**	(4,109)	(3,964)
Charged to profit for the year	**13,388**	46,997	49,107

Highlighted items charged to profit before tax comprise significant non-cash charges and non-recurring items which are highlighted in the Income Statement because, in the opinion of the Directors, separate disclosure is helpful in understanding the underlying performance of the business.

3. Highlighted items continued

Amortisation of intangible assets

Intangible assets are amortised systematically over their estimated useful lives, which vary from 3 to 20 years depending on the nature of the asset. These are significant non-cash charges which arise as a result of acquisitions.

Goodwill impairment

Impairments totalling £15.0 million (2015: £48.8 million) were recognised relating to goodwill in the Grayling CGU. Further details are given in Note 8.

Impairment of software development costs

The impairment in 2015 related to significant adverse changes in the extent to which internally developed software is expected to be used. The recoverable amount is value in use which was determined to be £nil.

Restructuring costs

Restructuring costs comprise cost-saving initiatives including severance payments, compensation for loss of office, property and other contract termination costs.

Acquisition and transaction related (credit)/costs

Costs incurred in relation to acquisitions and any adjustments to the fair value of deferred contingent consideration liabilities.

Taxation

The taxation credit relates to the tax impact of the above highlighted items.

4. Finance costs and income

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Bank interest payable	**958**	1,053	1,988
Finance lease interest	**1**	1	1
Imputed interest on long term payables and provisions	**19**	10	19
Finance costs	**978**	1,064	2,008
Bank interest receivable	**(1)**	(2)	(3)
Other interest receivable	**(4)**	(1)	(4)
Finance income	**(5)**	(3)	(7)
Net finance costs	**973**	1,061	2,001

5. Tax

The tax expense/(credit) for the six months ended 30 June 2016 has been based on an estimated effective tax rate on profit before tax and highlighted items for the full year of 29.0% (year ended 31 December 2015: 27.0%). The tax expense/(credit) is analysed as follows:

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Before highlighted items:			
Current tax	**859**	570	1,593
Deferred tax	**986**	849	(550)
	1,845	1,419	1,043
Highlighted items:			
Current tax	**(219)**	(320)	1,991
Deferred tax	**(1,600)**	(3,789)	(3,414)
	(1,819)	(4,109)	(1,423)
Total:			
Current tax	**640**	250	3,584
Deferred tax	**(614)**	(2,940)	(3,964)
Total tax expense/(credit)	**26**	(2,690)	(380)

Finance (No.2) Act 2015 was substantively enacted on 18 November 2015 and includes legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020.

In its 2016 Budget announced on 16 March 2016, the UK Government announced its intention to further lower the main rate of corporation tax to 17% from 1 April 2020. The impact of this is not incorporated in the above numbers as this proposed measure was not substantively enacted at 30 June 2016. The actual impact will be dependent on the deferred tax position at the time.

6. Dividends

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Equity dividends on ordinary shares			
Final dividend for the year ended 2014 – 0.75 pence	**-**	2,385	2,385
Interim dividend for the year ended 2015 – 0.5 pence	**-**	-	1,599
Final dividend for the year ended 2015 – 1.25 pence	**4,071**	-	-
	4,071	2,385	3,984

The final dividend for the year ended 31 December 2015 of 1.25 pence per share was approved by shareholders at the Annual General Meeting on 26 May 2016 and was paid on 7 July 2016. This dividend is included in trade and other payables at 30 June 2016.

The 2016 interim dividend of 0.5 pence per share was approved by the Board on 25 July 2016. The dividend will be paid on 4 November 2016 to those shareholders on the register on 30 September 2016.

7. Earnings per share

The data used in the calculation of the earnings per share numbers is summarised in the table below:

	Six months ended 30 June 2016		Six months ended 30 June 2015		Year ended 31 December 2015	
	(Loss)/earnings £000	**Weighted average number of shares 000's**	(Loss)/earnings £000	Weighted average number of shares 000's	(Loss)/earnings £000	Weighted average number of shares 000's
Basic	**(8,879)**	**324,446**	(43,160)	319,995	(39,439)	320,966
Diluted	**(8,879)**	**324,446**[1]	(43,160)	319,995[1]	(39,439)	320,966[1]
Adjusted basic	**4,509**	**324,446**	3,837	319,995	9,668	320,966
Adjusted diluted	**4,509**	**325,574**	3,837	326,693	9,668	326,846

[1] Because basic EPS results in a loss per share the diluted EPS is calculated using the undiluted weighted average number of shares.

The basic earnings per share calculation is based on the profit for the period attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated based on the profit for the period attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the period adjusted for the potentially dilutive impact of employee share option schemes and shares to be issued as part of contingent consideration on acquisition of subsidiaries.

7. Earnings per share continued

Adjusted earnings per share is calculated in order to provide information to shareholders about continuing trading performance and is based on the profit attributable to parent company shareholders excluding highlighted items together with related tax effects as set out below:

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
(Loss)/earnings:			
Loss for the period attributable to the Parent Company's shareholders	**(8,879)**	(43,160)	(39,439)
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**13,388**	46,997	49,107
Adjusted earnings	**4,509**	3,837	9,668

	30 June 2016 £000	30 June 2015 £000	31 December 2015 £000
Number of shares:			
Weighted average number of ordinary shares – basic and adjusted basic	**324,446**	319,995	320,966
Effect of share options in issue	**1,128**	5,371	4,380
Effect of deferred contingent consideration	**-**	1,327	1,500
Weighted average number of ordinary shares – diluted and adjusted diluted	**325,574**	326,693	326,846

Notes to the Financial Statements continued

for the six months ended 30 June 2016

8. Intangible assets

	Brands	Customer relationships	Goodwill	Intellectual property	Software development costs	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2016	25,357	30,725	311,427	1,487	3,671	372,667
Additions	-	488	-	-	-	488
Capitalised development costs	-	-	-	-	419	419
Foreign exchange movement	1,500	2,058	16,558	175	125	20,416
At 30 June 2016	**26,857**	**33,271**	**327,985**	**1,662**	**4,215**	**393,990**
Amortisation and impairment charges						
At 1 January 2016	21,127	30,698	138,755	1,390	1,960	193,930
Charge for the period	243	97	-	99	101	540
Impairment	-	-	15,034	-	-	15,034
Foreign exchange movement	1,410	2,031	8,332	168	39	11,980
At 30 June 2016	**22,780**	**32,826**	**162,121**	**1,657**	**2,100**	**221,484**
Net book value at 30 June 2016	**4,077**	**445**	**165,864**	**5**	**2,115**	**172,506**
Net book value at 31 December 2015	4,230	27	172,672	97	1,711	178,737
Net book value at 30 June 2015	4,441	31	167,989	235	1,230	173,926

The performance of the Grayling CGU in the first half of 2016 was considered to be an indicator of impairment as at 30 June 2016. The Group revised its forecasts to current expectations of the future performance of each CGU based on the prevailing conditions prior to any future restructuring and investment. The ensuing reduction in value in use has resulted in goodwill in Grayling being impaired by £15.0m, which is included in highlighted items in the Income Statement.

Value in use has been calculated using a consistent methodology to that disclosed in the 2015 Annual Report. Operating cash flow forecasts for the initial five year period reflect management's latest short and medium term forecasts for the business, and an updated assessment of expected perpetuity growth rates.

9. Financial risk management and financial instruments

The group's activities expose it to a variety of financial risks including foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's Annual Financial Statements as at 31 December 2015. There have been no changes in the Group's risk management policies since the year end.

Fair value measurement

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Foreign exchange derivative	**-**	**581**	**-**	**581**
Interest rate swaps	**-**	**750**	**-**	**750**
	-	**1,331**	**-**	**1,331**

At 30 June 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Foreign exchange derivative	-	68	-	68
Interest rate swaps	-	51	-	51
	-	119	-	119
Financial liabilities				
Deferred contingent consideration	-	-	1,205	1,205
	-	-	1,205	1,205

At 31 December 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swap	-	92	-	92
Deferred contingent consideration	-	-	693	693
	-	92	693	785

9. Financial risk management and financial instruments continued

Valuation techniques used to derive Level 2 fair values

Level 2 derivatives comprise foreign exchange derivatives and interest rate swaps. The foreign exchange derivatives have been fair valued using exchange rates that are quoted in an active market. Interest rate swaps are valued using forward interest rates extracted from observable yield curves.

Fair values of other financial liabilities and assets

All financial assets and financial liabilities have been recognised at their carrying values which are not materially different to their fair values.

10. Bank loans and overdrafts

The Group has a £65 million multi-currency facility agreement with Lloyds Bank plc, HSBC Bank plc and Barclays Bank plc and a £5 million committed overdraft facility with Lloyds Bank plc. Both facilities are due to expire in May 2019.

11. Provisions

	Deferred contingent consideration	Property	Reorganisation and other	Total
	£000	£000	£000	£000
At 1 January 2016	693	2,677	1,259	4,629
Arising during the period	-	466	560	1,026
Foreign exchange movement	19	156	76	251
Release of provision not utilised	(716)	-	(238)	(954)
Utilised	-	(606)	(897)	(1,503)
Unwind of discount	4	16	-	20
At 30 June 2016	**-**	**2,709**	**760**	**3,469**
Current	**-**	**644**	**673**	**1,317**
Non-current	**-**	**2,065**	**87**	**2,152**

Deferred contingent consideration for acquisitions

Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element, payable in either cash or a combination of cash and shares at the Company's option, which is contingent on the future financial performance of the acquired entity. The amount released in the period represents the change in the earn-out based on the latest financial performance of the acquired businesses. Where deferred consideration is not contingent on the outcome of future events the amount is included in trade and other payables.

Property provisions

Provisions for property represent amounts in respect of property leases which are onerous and the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the contractual term. The quantification of these provisions has been determined based on external professional advice and is dependent on the Group's ability to exit the leases early or to sublet the properties. In general, property provisions are expected to be utilised over a range of one to nine years.

Reorganisation and other provisions

This provision relates principally to compensation for loss of office. In addition, when acquiring businesses, provisions have been made to cover the best estimate of the Group's exposure to liabilities arising due to the acquisition.

12. Cash flow analysis

(a) Reconciliation of operating profit to net cash (outflow)/inflow from operations

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Operating loss	**(7,880)**	(44,789)	(37,818)
Amortisation of intangible assets	**539**	543	1,024
Impairment of intangible assets	**15,034**	49,343	49,343
Operating profit before non-cash highlighted items	**7,693**	5,097	12,549
Depreciation	**1,320**	1,235	2,459
Share option charge	**269**	162	392
Loss on disposal of property, plant and equipment	**48**	35	39
Unrealised loss on foreign exchange derivatives	**581**	-	-
Operating cash flow before movements in working capital	**9,911**	6,529	15,439
Increase in work in progress	**(1,336)**	(1,022)	(223)
Increase in debtors	**(6,874)**	(3,576)	(2,107)
(Decrease)/increase in creditors	**(1,403)**	3,990	1,831
(Decrease)/increase in provisions	**(1,640)**	(121)	214
Net cash (outflow)/inflow from operations	**(1,342)**	5,800	15,154
Cash flows from highlighted items	**1,399**	1,499	3,003
Net cash inflow from operations before highlighted items	**57**	7,299	18,157

Notes to the Financial Statements continued

for the six months ended 30 June 2016

12. Cash flow analysis continued

(b) Reconciliation of net cash flow to movement in net debt

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Increase/(decrease) in cash and cash equivalents in the period	**671**	5,270	(142)
Cash (inflow)/outflow from movements in debt	**(6,975)**	(2,801)	5,420
Repayment of capital element of finance leases	**2**	5	7
Change in net debt resulting from cash flows	**(6,302)**	2,474	5,285
Amortisation and write off of loan fees	**(133)**	(132)	(266)
New finance lease	**(7)**	-	-
Movement in fair value of derivative financial instruments	**(1,239)**	164	(46)
Translation differences	**956**	(416)	234
(Increase)/decrease in net debt	**(6,725)**	2,090	5,207
Net debt at beginning of period	**(30,371)**	(35,578)	(35,578)
Net debt at end of period	**(37,096)**	(33,488)	(30,371)

12. Cash flow analysis continued

(c) Analysis of net debt

	30 June 2016 £000	30 June 2015 £000	31 December 2015 £000
Cash and short-term deposits	**10,544**	13,680	8,918
Bank loans and overdrafts	**(46,280)**	(47,260)	(39,172)
Derivative financial assets	**-**	119	-
Derivative financial liabilities	**(1,331)**	-	(92)
Obligations under finance leases	**(29)**	(27)	(25)
Net debt	**(37,096)**	(33,488)	(30,371)

13. Related party transactions

The ultimate controlling party of the Group is Huntsworth plc (incorporated in the United Kingdom). The Group has a related party relationship with Directors and executive officers. There were no material related party transactions other than the remuneration of key management personnel of £0.9 million in the six months ended 30 June 2016 (2015: £0.6 million).

Independent Review Report

To the Board of Huntsworth plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated balance sheet, Condensed consolidated cash flow statement, Condensed consolidated statement of changes in equity, and the related explanatory notes 1 to 13. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors’ Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Ernst & Young LLP
London
25 June 2016

Statement of Directors' Responsibilities

for the six months ended 30 June 2016

We confirm that to the best of our knowledge this interim report:

- has been prepared in accordance with IAS 34 'Interim Financial Reporting';

- includes a fair review of the information required by the Financial Conduct Authority's Disclosure and Transparency Rules ('DTR') 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

- includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Paul Taaffe
Chief Executive

Appendix 1: non-IFRS measures

This report makes reference to various non-IFRS measures, which are defined below. All performance based measures are presented to provide insight into ongoing profit generation, both individually and relative to other companies.

Headline operating profit/profit before tax

Calculated as operating profit/profit before tax excluding highlighted items. Highlighted items in the current year comprise amortisation of intangible assets, goodwill impairment, restructuring costs, and acquisition/transaction related costs. In the prior year, impairment of software development costs was also included in highlighted items.

Both headline profit and IFRS profit measures are presented in the income statement. An analysis of highlighted items is presented in Note 3.

Margin

Headline operating profit as a percentage of revenue.

Headline basic and diluted EPS

Headline basic EPS is calculated using profit for the period before highlighted items. Headline diluted EPS is the same calculation but takes into account the impact of share options in issue and deferred consideration that could be settled in shares. Details of the underlying inputs to headline and IFRS measures of EPS are included in Note 7.

Net debt

Net debt is the total of current and non-current borrowings and derivative financial instruments, less cash and cash equivalents. The group uses this as a measure of indebtedness. An analysis of net debt is included in Note 12.

Highlighted cash flows

Highlighted cash flows are the cash flows directly attributable to the items presented within highlighted items in the income statement. A reconciliation of the difference between cash flows before highlighted items and IFRS cash flows is included in Note 12.

Effective tax rate

The effective tax rate is the total tax charge incurred by the Group on headline profit before tax, expressed as a percentage. This provides a more comparable basis to analyse our tax rate both individually and relative to other companies.

Like-for-like

Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures. This provides insight into the organic growth of the business. A reconciliation of the material adjustments made between like-for-like revenue growth and absolute revenue growth are included in the table below:

H1 2016	Huntsworth Health	Grayling	CDR	Red	Total Group
Absolute revenue growth	18.0%	(12.3)%	6.9%	3.5%	4.0%
Constant exchange rates	(6.8)%	(3.7)%	(2.5)%	-	(4.5)%
Business closures	0.2%	1.3%	-	-	0.8%
Like-for-like revenue growth	11.4%	(14.7%)	4.4%	3.5%	0.3%