HUNTSWORTH

Interim results for the six months to 30 June 2014

Lord Chadlington to step down as Group CEO

Huntsworth PLC, the global public relations and healthcare communications group, today announces its interim results for the six months to 30 June 2014.

Headline financial highlights[1]

Revenue

- Revenue £83.1m (H1 2013: £88.9m)
- Like-for-like[2] revenue decline of 1.7%; constant currency revenue decline of 2.4%
- 69% of all public relations[3] revenues in the UK and Europe

Investment

- Investment expense of £2.4m during the half, with 84% of the annual 2014 budgeted investment spend now committed
- Multi-office revenues up to 51% of Group revenues (H1 2013: 50%)
- Digital revenues up to 28% of Group revenues, with 18% like-for-like growth (H1 2013: 24%)
- USA, Middle East and Asia Pacific like-for-like revenue growth of 5% (2013: 5%)

Profits

- Operating profit of £8.9m (H1 2013: £12.4m)
- Operating margin before central costs 14.6% (H1 2013: 17.9%)
- Operating margin post central costs 10.7% (H1 2013: 14.0%)
- Profit before tax of £7.7m (H1 2013: £10.6m)

Cash flow and net debt

- Cash flow from operations of £4.0m, representing a cash conversion of 45% (H1 2013: 24%)
- Net debt at £35.5m (30 June 2013: £69.0m; 31 December 2013: £32.0m)

Reported financial highlights

Revenue

- Revenue after highlighted items £83.6m (H1 2013: £88.9m)
- Like-for-like revenue decline of 1.1%

Profits

- Operating profit of £7.9m (H1 2013: £10.1m)
- Operating margin 9.5% (H1 2013: 11.4%)
- Profit before tax £6.3m (H1 2013: £8.3m)

Cash flow

- Cash flow from operations of £3.7m (H1 2013: £1.0m)
- Cash conversion of 47% (H1 2013: 10%)

Diluted earnings per share

- Before highlighted items at 1.8p (H1 2013: 3.1p)
- After highlighted items at 1.4p (H1 2013: 2.5p)

Dividend

- Interim dividend of 1.0 pence per share (H1 2013: 1.0p)

Board changes

- Lord Chadlington to step down as CEO when a suitable successor is found
- Search commenced for new CEO
- John Farrell to step down as non-executive director
- Andy Boland, CFO of AA plc, appointed as non-executive director; a further non-executive director expected to be appointed in the autumn
- Sally Withey, COO and CFO, expected to return from sick leave in the autumn
- Brian Porritt, Interim CFO will remain in place until Sally Withey's return

Lord Chadlington, Chief Executive of Huntsworth, said: "At the 2013 year end we reported that we would continue our investment programme for a second year in order to build multi-office business, to increase our digital revenues and to increase revenue growth in the USA, the Middle East and Asia Pacific, thereby reducing our high dependence on the UK and Europe. While the pace of these increases in the first half has been slower than we hoped, we are making some good progress, which we expect will continue in the second half and accelerate in 2015.

It has been my intention for some while to stand down and I am delighted that I will do so just as the economies of the world are turning for the better and that we have a management team which will make the most of this all-important investment plan which is now well under way. I am extremely proud of Huntsworth and what we have created."

Notes:

1. Headline results are adjusted to exclude highlighted items. Highlighted items comprise amortisation of intangible assets £0.6m (H1 2013 £0.8m), restructuring costs £nil, (H1 2013 £2.2m), facility fees written off £0.4m (H1 2013 £nil) and acquisition/transaction related costs/(credits) £0.1m (H1 2013 £(0.7m)). In addition, we have highlighted revenues in respect of start-up operations of £0.5m that produced £0.4m of operating losses.
2. Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures.
3. Public relations revenues are those from our three public relations divisions Citigate, Grayling and Red.

Contacts:

Huntsworth PLC +44 (0)20 7224 8778
Lord Chadlington, Chief Executive

Citigate Dewe Rogerson +44 (0)20 7638 9571
Simon Rigby
Angharad Couch
Georgia Colkin

Chief Executive's Statement

Group overview[1]

Revenues for the first half of 2014 were £83.1m (2013: £88.9m), a like-for-like decline of 1.7% and a constant currency decline of 2.4%. Profit before tax was £7.7m (2013: £10.6m) reflecting both the cost of the continuing investment programme and the challenging public relations markets in the UK and Europe.

Investment programme

The investment programme has, as indicated in 2013, affected our margins but the Board expects material revenue growth in 2015. In the first half, the Group committed 84% of the full year budgeted investment resources. Shareholders should expect to see improved second half revenue growth in the three targeted areas of multi-office business, digital and investment markets, with further growth in 2015.

In each of the three investment areas we have seen some early signs of success. While these have taken longer to come through than we originally expected, multi-office business is now more than 50% of our revenues - with the USA now showing 21% growth in this area as larger US mandates look for overseas, as well as domestic representation. Digital is up 18% and now represents 28% of revenues. In our investment geographies - although starting from a small base – revenues are up significantly with the Middle East and Asia Pacific up 13% and the USA up 4%.

With the exception of Grayling, where the majority of our investment spend has been made, all divisions continue to deliver strong margins. To support the investment programme the Group is driving planned reductions in central costs.

Chief Executive succession and Board changes

The Board and Lord Chadlington, 72, have agreed a succession plan. A professional search process has been initiated and Lord Chadlington will remain as CEO until a new appointment is made at which time he will become a Group Senior Adviser.

"It has been my intention for some while to stand down and I am delighted that I will do so just as the economies of the world are turning for the better and that we have a management team which will make the most of this all-important investment plan which is now well under way. I am extremely proud of Huntsworth and what we have created."

Lord Myners said: "Lord Chadlington is a hugely respected figure in public relations. From a standing start he has built Huntsworth into a group of leading global consultancies.

It is quite understandable that Peter has concluded that the time is approaching when he should pull back from full time executive duties. We are delighted that Peter has agreed to stay involved with Huntsworth in support of high value relationships after he ceases to be a Director. This will be welcomed by clients and colleagues alike."

John Farrell has decided to stand down as a Non-Executive Director to spend more time on his portfolio of private company interests. John Farrell commented: "I've had a most enjoyable 5 years on the Huntsworth board and continue to be very supportive of the investment programme."

Lord Chadlington commented: "We are very grateful to John for all his efforts on behalf of shareholders particularly as the Chair of the Remuneration Committee."

Andy Boland, Chief Financial Officer at AA plc, will join the Board as a Non-Executive Director and Audit Committee Chair with immediate effect. Andy has previously held a number of senior finance positions in the marketing services industry, including roles at WPP plc and Cordiant Communications Group plc. Before joining AA plc in 2008, Andy was for five years the Group Finance Director of Taylor Nelson Sofres plc, the former FTSE 250 global market research group. A further Non-Executive Director is expected to be appointed in the autumn.

[1]All results are stated before highlighted items.

Chief Executive's Statement continued

Sally Withey, who has taken leave of absence to recover from a back injury, continues to make good progress and we expect her to return to Huntsworth in the autumn. Brian Porritt, FCA, who has been Interim CFO for the last two months will continue in post until Sally Withey returns.

BlueFocus alliance

The BlueFocus shareholding in Huntsworth and our subsequent investment in the Asia-Pacific region has provided our operating companies with several expansion opportunities.

While we are putting on hold the JV, which was announced earlier in the year, until we have our new CEO in place, our enlarged presence in the Asia-Pacific region has enabled us to expand existing client relationships such as Johnson & Johnson to win business together including UK Trade and Investment and Dongfeng Auto and to develop client opportunities together in other parts of the world.

Divisional overview

Citigate

Citigate revenues were down 8.0% on a like-for-like basis to £10.9m delivering margins of 20.6%.

This reflected the first quarter weakness in the UK domestic M&A market where deal levels declined. The M&A market shows signs of improvement, and Citigate has benefited from opportunities with US-listed companies and has been working on publicly disclosed deals involving Aspen Insurance Holdings and Oando.

Citigate's financial public relations practice continues to reinforce its leading position in IPO communications having this year won 23 mandates. Citigate advised on some of the largest transactions in the period: NN Group N.V. in the UK and the Netherlands, Poundland and GAME Digital in the UK; Mesaieed Petrochemical Holding Company in Qatar and PACC Offshore Services Holdings in Singapore.

"Obviously Citigate thrives on deal flow" said Lord Chadlington. "While this was subdued for the first three months, Citigate has won more than its share of IPOs and there are some recent encouraging signs of building revenue momentum."

Grayling

Grayling revenues were down 4.9% on a like-for-like basis to £36.5m with margins of 7.9%.

Despite a number of positive developments, Grayling's progress in the first half was offset by disappointing performances in the UK and Europe. In addition, first half profits include the continuation of Grayling's investment programme focused on the growth markets of the USA, the Middle East and Asia-Pacific.

Globally, like-for-like digital revenues grew by 12% and Grayling's strategy to unify all subsidiaries in the USA under one brand is showing early promise with agency of record wins from Unisys, Concur, ZTE, Qantas and Hobsons.

While Grayling's transformation has been slower than hoped, we are making good progress especially in the three growth markets of the USA, the Middle East and Asia Pacific. In the difficult European region, the management team has been strengthened in markets including Poland, Czech Republic, Russia, Croatia and Austria with further strengthening expected during the second half of 2014. As such we expect continued improvement in the second half and further acceleration in 2015.

Pete Pedersen, Grayling Chief Executive, commented: "Grayling becomes stronger every day. While the first half was challenging, we remain confident in our strategy and will continue to focus on growth markets, developing our talent, and doing great work for clients."

Chief Executive's Statement continued

Huntsworth Health

Huntsworth Health revenues grew 6.9% on a like-for-like basis to £29.4m delivering margins of 19.5%.

Huntsworth Health delivered strong revenue growth in the first half with digital revenue growth of 21%. Margins in the first half of 2014 were impacted by the 2014 investment programme to maintain the strong revenue growth into the second half of 2014 and beyond.

New business momentum remains solid with multi-million pound account wins at 3 of the top 15 global pharmaceutical companies and revenue growth is expected to continue through the second half and approach double digits by the year end.

Neil Matheson, Global Chief Executive of Huntsworth Health, said: "We continue to anticipate our clients' needs in a rapidly changing digital marketplace and this has enabled us to maintain our reputation as a strategic, creative and innovative family of boutique agencies that can work together to deliver integrated solutions to complex market challenges. Our revenue growth is a direct reflection of the focused application of our exceptional talent and the amazing work our team delivers."

Red

Revenues in Red were down 8.1% on a like-for-like basis to £6.3m with a 20.4% margin.

Despite winning a number of blue chip clients including Coca Cola, Goodman, Skrill and Bristol Myers Squibb, Red had a tough first half due largely to delayed projects.

Red's Chief Executive, Mike Morgan, said: "Our core Consumer market remains subdued but we are on track to return to growth during the second half of 2014."

Banking and cash

Net debt at 30 June 2014 is £35.5m (30 June 2013: £69.0m; 31 December 2013: £32.0m). Cash conversion of operating profit into operating cash flows in the first half was 45%, (H1 2013: 24%) reflecting the seasonality of cash flows in the year.

Future earn-out obligations as at 30 June 2014 are estimated to be £3.9m, payable in a combination of cash and shares. The expected timing of these obligations is £1.1m in 2015, £0.6m in 2016 and £2.2m in 2017.

Dividend

The interim dividend will be 1.0 pence (2013: 1.0p).

Group outlook

The future for Huntsworth is about our ability to build organic revenue growth - particularly in Grayling. We remain confident that the investment strategy we have undertaken will produce that growth, as stated at the end of 2013, over the next twelve to eighteen months.

Review of Financial Results

Summary of financial results for the six months ended 30 June 2014

	2014 £'m	Like-for-like growth %	2013 £'m
Revenue			
Citigate	10.9	(8.0)%	12.1
Grayling	36.5	(4.9)%	40.4
Huntsworth Health	29.4	6.9%	29.5
Red	6.3	(8.1%)	6.9
Total revenue before highlighted items	**83.1**	**(1.7)%**	**88.9**
Highlighted revenues	0.5		0.0
Total revenue	**83.6**	**(1.1%)**	**88.9**

	2014 £'m	Margin %	2013 £'m	Margin %
Operating profit				
Citigate	2.2	20.6%	2.5	20.7%
Grayling	2.9	7.9%	5.5	13.5%
Huntsworth Health	5.7	19.5%	6.2	21.1%
Red	1.3	20.4%	1.7	25.1%
Total operations	12.1	14.6%	15.9	17.9%
Central costs	(3.2)		(3.5)	
Operating profit before highlighted items	**8.9**	**10.7%**	**12.4**	**14.0%**
Highlighted items	(1.0)		(2.3)	
Reported operating profit	**7.9**	**9.5%**	**10.1**	**11.4%**
Adjusted basic EPS	1.8p		3.3p	
Reported basic EPS	1.5p		2.6p	

Revenue and profits before highlighted items

Revenue in the six months to 30 June 2014 decreased by 6.5% to £83.1 million (H1 2013: £88.9 million).

On a like-for-like basis, revenues grew by 6.9% in Huntsworth Health driven by growth in digital, but declined by 8.0% in Citigate, 8.1% in Red and 4.9% in Grayling driven by the challenging public relations markets in the UK and Europe which account for 69% of their revenues. Overall, Group revenue declined by 1.7% on a like-for-like basis in the first half of the year.

Operating margins remain strong in three of our four divisions, although there have been some small reductions year on year. Operating margins have been impacted by the declines in revenues, the ongoing investment programme and holding resources in the UK and Europe. Overall Group operating profits before central costs declined by £3.8 million to £12.1 million, generating a Group operating margin before central costs of 14.6% (H1 2013: 17.9%).

The Group's operating margin after central costs decreased to 10.7% compared to 14.0% in in the first half of 2013.

Investment programme

The Group has invested £2.4 million in H1 2014 as part of the continued strategic investment programme focused on building multi-office revenues, increasing digital mandates and driving growth in the USA, Asia Pacific and the Middle East. This has included the recruitment of 20 senior employees, which accounted for 77% of total amounts spent.

Highlighted items

Highlighted revenues of £0.5 million are the revenues generated by the Group's start-up operations. These businesses incurred £0.9 million of operating expenses and therefore the net impact of these businesses is a loss of £0.4 million.

Other highlighted operating expenses in the first half of 2014 are the amortisation of intangible assets (£0.6 million), and acquisition and transaction related costs (£0.1 million). After total highlighted operating expenses of £1.0 million, statutory reported operating profit was £7.9 million (H1 2013: £10.1 million).

A further £0.4 million has been charged to highlighted finance costs in respect of the write off of capitalised fees associated with the previous loan facility.

Currency

The impact of changes in exchange rates versus H1 2013 was to reduce revenues by £3.8 million and reduce operating profits by £0.4 million.

The strengthening of Sterling against the Euro and the Dollar has also resulted in a £4.9 million charge to Other Comprehensive Income and Expense resulting from the retranslation of the Group's overseas assets.

Tax

The total tax expense of £1.6 million comprises a pre-highlighted tax expense of £1.9 million together with a credit of £0.3 million on highlighted items. The pre-highlighted tax expense is based on the expected full year tax rate of 25.0% (year ended 31 December 2013: 24.0%).

Earnings

Profits attributable to ordinary shareholders before highlighted items were £5.8 million (H1 2013: £8.1 million). Adjusted basic earnings per share decreased to 1.8p (H1 2013: 3.3p) and adjusted diluted earnings per share also decreased to 1.8p (H1 2013: 3.1p).

Profits attributable to ordinary shareholders after highlighted items were £4.7 million (H1 2013: £6.4 million), resulting in basic earnings per share of 1.5p (H1 2013: 2.6p) and diluted earnings per share of 1.4p (H1 2013: 2.5p).

Dividends

The interim dividend will be 1.0 per share (H1 2013: 1.0p). The record date for this dividend will be 3 October 2014 and it is payable on 31 October 2014. A scrip dividend alternative will be available.

Review of Financial Results (continued)

Balance sheet and cash flow

Cash conversion of operating profit into operating cash flows before highlighted items in the first half of 2014 was 45%, reflecting the seasonality of cash flows in the year.

Cash inflow from operations totalled £4.0 million (H1 2013: £3.0 million), before highlighted cash outflows of £0.3 million. Principal cash outflows during the period were net payments for interest, tax and fixed assets of £4.0 million. Acquisitions and earnout payments totalled £1.0 million.

The Group signed a new £90 million revolving credit facility agreement and £5m committed overdraft facility in May 2014, which will expire in 2019. Net debt at 30 June 2014 is £35.5 million (30 June 2013: £69.0 million; 31 December 2013: £32.0 million) which is well 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 2014 are estimated to be £3.9 million, payable in a combination of cash and shares. The expected timing of these obligations is £1.1 million in 2015, £0.6 million in 2016 and £2.2 million in 2017.

Key risks and uncertainties

As described more fully on pages 20 to 23 of the 2013 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 increased risk of bad debt;
- country and currency risk – arising from the Group having significant operations in the USA and Europe;
- increased industry competition – both from the number of competing agencies in the marketplace and price competition, impacting revenue and margins;
- performance of acquired businesses – acquisitions may be less financially beneficial than anticipated;
- loan facility and covenant headroom risk – resulting in reputational damage and/or impairing ability to make future acquisitions or settle existing obligations;
- dependence on key personnel – loss of key staff can impact client relationships and service quality;
- loss of key clients – impacting revenue and profit;
- information systems access and security – breaches could compromise operations;
- working capital risk – increased levels of working capital can have a cash cost to the Group;
- unethical business practices – potentially leading to reputational and/or financial damage; and
- legal and regulatory compliance – potentially giving rise to reputational and/or financial damage.

The Group performs a comprehensive annual risk assessment exercise involving all senior management teams around the Group to identify, report and evaluate operational risks facing the business and ensure appropriate actions are undertaken to manage these risks.

The Directors have considered whether these risks have changed since the 2013 Annual Report and Accounts were published. The Directors do not consider that the level of risk that the Group is exposed to has increased significantly in the first half of 2014.

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.

Review of Financial Results (continued)

Notes to editors:

1. Huntsworth plc is a global public relations and healthcare communications group with 73 principal offices across 28 countries. In the first half of 2014 the Group worked for circa 1,670 clients.
2. The Group comprises four divisions: Grayling, Citigate, Red and Huntsworth Health. At 30 June 2014 the Group employed approximately 1,620 staff with an average annual fee income per head of £102,400.
3. By industry sector the revenue profile is broadly 23% Pharmaceuticals; 15% Healthcare; 10% Technology; 10% Financial Services; 8% Retail and Leisure; 5% Food and Drink; 5% Government and Public Sector; 4% Professional Services; 4% Industrial and 16% Other sectors.
4. Geographically, 37% of Group revenue in the first half of 2014 was from the UK; 18% from European countries; 39% from the US; and 6% from the Asia Pacific, the Middle East and Africa.
5. 44% of the Group's revenue is derived from companies in the FTSE 100, Fortune 500, FTSEurofirst 300 or Top 50 Pharma Companies.
6. Each of the Group's top 19 clients already has annual committed revenue in excess of £1 million. In the first half of 2014 our largest client represents 3% of revenue with the top 10 clients accounting for 23% and the top 25 clients accounting for 36%.

Condensed Consolidated Income Statement

for the six months ended 30 June 2014

	Notes	**Six months ended 30 June 2014 £000**	Six months ended 30 June 2013 £000	Audited Year ended 31 December 2013 £000
Turnover before highlighted items		**97,506**	106,619	208,162
Turnover – highlighted items		**642**	-	819
Turnover		**98,148**	106,619	208,981
Revenue before highlighted items	3	**83,085**	88,890	171,668
Revenue – highlighted items	4	**492**	-	727
Revenue		**83,577**	88,890	172,395
Operating expenses before highlighted items		**(74,193)**	(76,442)	(148,073)
Operating expenses – highlighted items	4	**(1,476)**	(2,329)	(3,737)
Operating expenses		**(75,669)**	(78,771)	(151,810)
Operating profit before highlighted items	3	**8,892**	12,448	23,595
Highlighted items	4	**(984)**	(2,329)	(3,010)
Operating profit		**7,908**	10,119	20,585
Finance income	5	**7**	2	6
Finance costs before highlighted items	5	**(1,158)**	(1,809)	(3,537)
Finance costs – highlighted items	4,5	**(427)**	-	-
Net finance costs		**(1,578)**	(1,807)	(3,531)
Profit before tax and highlighted items		**7,741**	10,641	20,064
Highlighted items	4	**(1,411)**	(2,329)	(3,010)
Profit before tax		**6,330**	8,312	17,054
Tax expense before highlighted items	6	**(1,939)**	(2,553)	(4,822)
Tax credit – highlighted items	4,6	**334**	619	1,088
Tax expense		**(1,605)**	(1,934)	(3,734)
Profit for the period before highlighted items		**5,802**	8,088	15,242
Highlighted items, net of tax	4	**(1,077)**	(1,710)	(1,922)
Profit for the period attributable to Parent Company's equity shareholders		**4,725**	6,378	13,320

Earnings per share:				
Basic – pence	8	**1.5**	2.6	5.0
Diluted – pence	8	**1.4**	2.5	4.9
Adjusted basic – pence*	8	**1.8**	3.3	5.8
Adjusted diluted – pence*	8	**1.8**	3.1	5.6

*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 8).

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2014

	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Audited Year ended 31 December 2013 £000
Profit for the period	**4,725**	6,378	13,320
Other comprehensive income and expense			
Items that may be reclassified subsequently to the Income Statement			
Amounts recognised in the Income Statement on interest rate swaps	**96**	137	277
Movement in valuation of interest rate swaps	**(3)**	3	(1)
Tax expense on interest rate swaps	**(19)**	(32)	(65)
Currency translation movement	**(4,895)**	8,879	(1,555)
Tax (expense)/credit on currency translation differences	**(75)**	7	35
Total items that may be reclassified subsequently to profit or loss	**(4,896)**	8,994	(1,309)
Other comprehensive income and expense for the period	**(4,896)**	8,994	(1,309)
Total comprehensive income and expense for the period attributable to Parent Company's equity shareholders	**(171)**	15,372	12,011

Condensed Consolidated Balance Sheet

as at 30 June 2014

	Notes	**30 June 2014 £000**	30 June 2013 £000	Audited 31 December 2013 £000
Non-current assets				
Intangible assets	9	**291,040**	302,779	293,006
Property, plant and equipment		**6,879**	5,433	4,993
Other receivables		**208**	228	537
Deferred tax assets		**634**	106	608
		298,761	308,546	299,144
Current assets				
Work in progress		**5,292**	4,904	6,066
Trade and other receivables		**49,059**	53,487	44,115
Current tax receivable		**601**	430	344
Derivative financial assets	10	**55**	-	68
Cash and short-term deposits	13	**9,137**	4,864	8,580
		64,144	63,685	59,173
Current liabilities				
Bank loans and overdrafts	11,13	**-**	(6,102)	(92)
Obligations under finance leases		**(5)**	(7)	(8)
Trade and other payables		**(55,671)**	(54,099)	(49,842)
Derivative financial liabilities	10	**(21)**	(21)	(157)
Current tax payable		**(1,237)**	(1,702)	(1,082)
Provisions	12	**(1,531)**	(6,922)	(1,232)
		(58,465)	(68,853)	(52,413)
Non-current liabilities				
Bank loans	11,13	**(44,651)**	(67,472)	(40,401)
Obligations under finance leases		**-**	(2)	(3)
Trade and other payables		**(610)**	(1,018)	(884)
Derivative financial liabilities	10	**-**	(293)	-
Deferred tax liabilities		**(5,743)**	(4,063)	(4,939)
Provisions	12	**(3,586)**	(5,209)	(2,033)
		(54,590)	(78,057)	(48,260)
Net assets		**249,850**	225,321	257,644
Equity				
Called up share capital		**107,139**	106,465	107,139
Share premium account		**61,722**	26,936	61,722
Merger reserve		**65,255**	63,136	65,255
Foreign currency translation reserve		**12,609**	27,938	17,504
Hedging reserve		**-**	(229)	(93)
Treasury shares		**(1,577)**	(1,577)	(1,577)
Investment in own shares		**(4,775)**	(4,775)	(4,775)
Retained earnings		**9,477**	7,427	12,469
Equity attributable to equity holders of the parent		**249,850**	225,321	257,644

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2014

	Notes	**Six months ended 30 June 2014 £000**	Six months ended 30 June 2013 £000	Audited Year ended 31 December 2013 £000
Cash inflow/(outflow) from operating activities				
Cash inflow from operations	13(a)	**3,743**	982	18,634
Interest paid		**(1,176)**	(1,537)	(2,978)
Interest received		**7**	2	6
Cash flows from hedging activities		**-**	72	72
Net current tax paid		**(767)**	(1,333)	(2,448)
Net cash inflow/(outflow) from operating activities		**1,807**	(1,814)	13,286
Cash outflow from investing activities				
Acquisition of subsidiaries, net of cash acquired		**(421)**	-	-
Deferred consideration payments		**(609)**	-	(3,251)
Cost of internally developed intangible assets		**(211)**	(66)	(945)
Purchases of property, plant and equipment		**(2,066)**	(1,004)	(1,954)
Proceeds from sale of property, plant and equipment		**19**	-	31
Net cash outflow from investing activities		**(3,288)**	(1,070)	(6,119)
Cash inflow/(outflow) from financing activities				
(Issue costs)/proceeds from issue of ordinary shares, net of costs		**(1,074)**	-	35,824
Proceeds from sale of own shares to settle share options		**-**	346	346
Repayment of finance lease liabilities		**(6)**	(5)	(2)
Net drawdown/(repayment) of borrowings		**3,627**	2,059	(31,300)
Dividends paid to equity holders of the parent		**-**	-	(7,937)
Net cash inflow/(outflow) from financing activities		**2,547**	2,400	(3,069)
Increase/(decrease) in cash and cash equivalents		**1,066**	(484)	4,098
Movements in cash and cash equivalents				
Increase/(decrease) in cash and cash equivalents		**1,066**	(484)	4,098
Effects of exchange rate fluctuations on cash held		**(417)**	579	(277)
Cash and cash equivalents at 1 January		**8,488**	4,667	4,667
Cash and cash equivalents at end of period	13 (d)	**9,137**	4,762	8,488

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2014

	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 2013	**106,444**	**26,942**	**61,966**	**19,059**	**(369)**	**(2,153)**	**(4,775)**	**7,043**	**214,157**
Profit for the period	-	-	-	-	-	-	-	6,378	6,378
Other comprehensive income/(expense)	-	-	-	8,879	140	-	-	(25)	8,994
Total comprehensive income	**-**	**-**	**-**	**8,879**	**140**	**-**	**-**	**6,353**	**15,372**
Acquisitions of subsidiaries	21	-	1,170	-	-	-	-	-	1,191
Settlement of share options	-	-	-	-	-	576	-	(233)	343
Charge for share-based payments	-	-	-	-	-	-	-	230	230
Tax on share-based payments	-	-	-	-	-	-	-	174	174
Share issue costs	-	(6)	-	-	-	-	-	-	(6)
Equity dividends	-	-	-	-	-	-	-	(6,140)	(6,140)
At 30 June 2013	**106,465**	**26,936**	**63,136**	**27,938**	**(229)**	**(1,577)**	**(4,775)**	**7,427**	**225,321**
Profit for the period	-	-	-	-	-	-	-	6,942	6,942
Other comprehensive income/(expense)	-	-	-	(10,434)	136	-	-	(5)	(10,303)
Total comprehensive income	-	-	-	(10,434)	136	-	-	6,937	(3,361)
Acquisitions of subsidiaries	33	-	2,125	-	-	-	-	-	2,158
BlueFocus subscription	630	35,910	-	-	-	-	-	-	36,540
Settlement of share options	-	-	-	-	-	-	-	2	2
Charge for share-based payments	-	-	-	-	-	-	-	424	424
Credit for unclaimed dividends	-	-	-	-	-	-	-	20	20
Tax on share based payments	-	-	-	-	-	-	-	144	144
Share issue costs	-	(1,801)	(6)	-	-	-	-	-	(1,807)
Scrip dividends	11	677	-	-	-	-	-	-	688
Equity dividends	-	-	-	-	-	-	-	(2,485)	(2,485)
At 31 December 2013 (audited)	**107,139**	**61,722**	**65,255**	**17,504**	**(93)**	**(1,577)**	**(4,775)**	**12,469**	**257,644**
Profit for the period	-	-	-	-	-	-	-	4,725	4,725
Other comprehensive income/(expense)	-	-	-	(4,895)	93	-	-	(94)	(4,896)
Total comprehensive income	**-**	**-**	**-**	(4,895)	93	**-**	**-**	**4,631**	**(171)**
Credit for share-based payments	-	-	-	-	-	-	-	500	500
Tax on share-based payments	-	-	-	-	-	-	-	(237)	(237)
Equity dividends	-	-	-	-	-	-	-	(7,886)	(7,886)
At 30 June 2014	**107,139**	**61,722**	**65,255**	**12,609**	**-**	**(1,577)**	**(4,775)**	**9,477**	**249,850**

Notes to the Financial Statements

for the six months ended 30 June 2014

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2014 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 2013 on pages 72-76, except as noted below. These are consistent with the accounting policies which the Group expects to adopt in its 2014 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 2014 and 30 June 2013 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 2013 have been extracted from the Group's Annual Report and Accounts 2013, 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 2013 have been filed with the Registrar of Companies.

Changes in accounting policies

The following new standards, amendments to standards and interpretations were also mandatory for the first time for the financial year beginning 1 January 2014, but had no significant impact on the Group:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures
- IAS 32 (amendment) Offsetting Financial Assets and Financial Liabilities
- IAS 36 (amendment) Recoverable Amount Disclosures for Non-financial assets
- IAS 39 (amendment) Novation of Derivatives and Continuation of Hedge Accounting

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.

for the six months ended 30 June 2014

2. Acquisitions

Audacity

On 2 May 2014, the Group acquired the entire issued share capital of Audacity, Inc ("Audacity"). Acquisition accounting has been determined provisionally in accordance with IFRS 3 (revised) Business Combinations.

Audacity has contributed £180,000 to revenue and £20,000 to profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisition of Audacity had been completed on the first day of the financial year, Group revenues post highlighted items for the period would have been £83.9 million and Group post highlighted operating profit would have been £8.0 million.

The provisional fair value of the net assets at the date of acquisition were as follows:

	Fair value recognised on acquisition £000
Customer relationships	95
Brand	106
Property, plant and equipment	29
Trade and other receivables	170
Cash and cash equivalents	230
Trade and other payables	(2)
Other creditors and provisions	(78)
Net assets acquired	550
Goodwill arising on acquisition	2,961
	3,511
Discharged by:	
Cash consideration	651
Deferred initial consideration	101
Deferred contingent consideration	2,759
Total consideration	**3,511**
Net cash outflow arising on acquisition:	
Cash consideration	651
Cash and cash equivalents acquired	(230)
	421

The fair value of trade and other receivables includes trade receivables with a gross contractual and a fair value of £165,000. The best estimate at the acquisition date of contractual cash flows not to be collected is £nil.

Goodwill comprises the value of expected synergies arising from the acquisition and other intangible assets that do not qualify for separate recognition. The consideration paid on acquisition is expected to be tax deductible and therefore no deferred tax is required to be recognised on acquisition.

The fair value of the contingent consideration payment is based on forecast average profits for the period from acquisition to 31 December 2016. The potential undiscounted range of future payments that Huntsworth plc could be required to make under the contingent consideration arrangement is between £nil and £6.7 million and will be paid in a combination of cash and shares.

Acquisition related costs of £20,000 were incurred and these are included within highlighted items in the Income Statement.

Notes to the Financial Statements continued

for the six months ended 30 June 2014

3. 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 2014	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	**Total £000**
Revenue					
Total revenue	10,917	36,469	6,325	29,374	**83,085**
Intra-group eliminations	-	-	-	-	-
Segment revenue	10,917	36,469	6,325	29,374	**83,085**
Segment operating profit before highlighted items	2,244	2,873	1,292	5,740	**12,149**

6 months to 30 June 2013	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	**Total £000**
Revenue					
Total revenue	12,141	40,437	6,880	29,448	**88,906**
Intra-group eliminations	-	(16)	-	-	**(16)**
Segment revenue	12,141	40,421	6,880	29,448	**88,890**
Segment operating profit before highlighted items	2,514	5,469	1,726	6,203	**15,912**

Year ended 31 December 2013	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	**Total £000**
Revenue					
Total revenue	23,324	78,450	12,880	57,070	**171,724**
Intra-group eliminations	-	(56)	-	-	**(56)**
Segment revenue	23,324	78,394	12,880	57,070	**171,668**
Segment operating profit before highlighted items	4,742	11,203	3,119	11,883	**30,947**

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

Notes to the Financial Statements continued

for the six months ended 30 June 2014

3. Segmental analysis continued

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

	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Segment operating profit before highlighted items	**12,149**	15,912	30,947
Central costs	**(3,257)**	(3,464)	(7,352)
Operating profit before highlighted items	**8,892**	12,448	23,595
Highlighted items	**(984)**	(2,329)	(3,010)
Operating profit	**7,908**	10,119	20,585
Net finance costs	**(1,151)**	(1,807)	(3,531)
Highlighted finance costs	**(427)**	-	-
Profit before tax	**6,330**	8,312	17,054

4. Highlighted items

	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Credited to revenue			
Start-up revenues	**(492)**	-	(727)
Charged to operating expenses			
Amortisation of intangible assets	**570**	813	1,635
Restructuring (credit)/costs	**(18)**	2,203	3,733
Start-up costs	**846**	-	1,211
Litigation credit	**-**	-	(585)
Acquisition and transaction related costs/(credit)	**78**	(687)	(2,257)
Total charged to operating expenses	**1,476**	2,329	3,737
Charged to operating profit	**984**	2,329	3,010
Charged to finance costs			
Facility fees written off	**427**	-	-
Charged to profit before tax	**1,411**	2,329	3,010
Tax credit	**(334)**	(619)	(1,088)
Charged to profit for the year	**1,077**	1,710	1,922

Notes to the Financial Statements continued

for the six months ended 30 June 2014

4. Highlighted items continued

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.

Start-up revenues and costs

Start-up revenues and costs are the operating results of new businesses started by the Group. The profile of revenue and costs in start-up businesses is different to that of more mature operations within the Group and hence the Directors consider that separate disclosure is helpful for investors. The results of start-up operations will cease being included within this category once they become consistently profitable or after two years of operation, whichever is earlier.

Amortisation of intangible assets

Intangible assets are amortised systematically over their estimated useful lives, which vary from 2 to 20 years depending on the nature of the asset. These are significant non-cash charges which arise as a result of acquisitions.

Restructuring (credit)/costs

Restructuring costs in the previous year included severance payments, property and other contract termination costs.

Litigation credit

The litigation credit related to an agreed final settlement received by the Group, net of costs incurred.

Acquisition and transaction related costs/(credit)

Costs incurred in relation to acquisitions and any adjustments to the fair value of deferred contingent consideration liabilities are taken to the Income Statement rather than being included as part of the cost of investment or as an adjustment to goodwill.

Facility fees written off

Amounts capitalised in respect to the previous loan facility were written off when the Group refinanced in May 2014.

Taxation

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

5. Finance costs and income

	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Bank interest payable	**1,144**	1,785	3,497
Finance lease interest	**4**	4	9
Imputed interest on property and other provisions	**4**	4	9
Imputed interest on deferred consideration	**6**	16	22
Finance costs	**1,158**	1,809	3,537
Bank interest receivable	**-**	-	(3)
Other interest receivable	**(7)**	(2)	(3)
Finance income	**(7)**	(2)	(6)
Net finance costs before highlighted items	**1,151**	1,807	3,531
Finance costs – highlighted items	**427**	-	-
Net finance costs	**1,578**	1,807	3,531

Notes to the Financial Statements continued

for the six months ended 30 June 2014

6. Tax

The tax expense/(credit) for the six months ended 30 June 2014 has been based on an estimated effective tax rate on profit before tax and highlighted items for the full year of 25.0% (year ended 31 December 2013: 24.0%). The tax expense/(credit) is analysed as follows:

	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Before highlighted items:			
Current tax	**960**	1,357	2,030
Deferred tax	**979**	1,196	2,792
	1,939	2,553	4,822
Highlighted items:			
Current tax	**(228)**	(443)	(591)
Deferred tax	**(106)**	(176)	(497)
	(334)	(619)	(1,088)
Total:			
Current tax	**708**	914	1,439
Deferred tax	**897**	1,020	2,295
Total tax expense	**1,605**	1,934	3,734

The UK statutory rate will further reduce by 1% to 20% from 1 April 2015 and the impact of this rate reduction is already considered within the deferred tax calculations.

7. Dividends

	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Equity dividends on ordinary shares			
Final dividend for the year ended 2012 – 2.50 pence	-	6,140	6,140
Interim dividend for the year ended 2013 – 1.0 pence	-	-	2,485
Final dividend for the year ended 2013 – 2.50 pence	**7,886**	-	-
	7,886	6,140	8,625

The final dividend for the year ended 31 December 2013 of 2.50 pence per share was approved by shareholders at the Annual General Meeting on 24 June 2014 and was paid on 7 July 2014. This dividend is included in trade and other payables at 30 June 2014.

The proposed 2014 interim dividend of 1.0 pence per share was approved by the Board on 8 August 2014. The dividend will be paid on 31 October 2014 to those shareholders on the register on 3 October 2014.

Notes to the Financial Statements continued

for the six months ended 30 June 2014

8. 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 2014		Six months ended 30 June 2013		Year ended 31 December 2013	
	Earnings £000	**Weighted average number of shares 000's**	Earnings £000	Weighted average number of shares 000's	Earnings £000	Weighted average number of shares 000's
Basic	**4,725**	**318,025**	6,378	247,927	13,320	264,555
Diluted	**4,725**	**326,099**	6,378	259,049	13,320	271,339
Adjusted basic	**5,802**	**318,025**	8,088	247,927	15,242	264,555
Adjusted diluted	**5,802**	**326,099**	8,088	259,049	15,242	271,339

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.

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 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Earnings:			
Profit for the period attributable to the Parent Company's shareholders	**4,725**	6,378	13,320
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**1,077**	1,710	1,922
Adjusted earnings	**5,802**	8,088	15,242

	30 June 2014 £000	30 June 2013 £000	31 December 2013 £000
Number of shares:			
Weighted average number of ordinary shares – basic and adjusted basic	**318,025**	247,927	264,555
Effect of share options in issue	**6,991**	5,605	5,911
Effect of deferred contingent consideration	**1,083**	5,517	873
Weighted average number of ordinary shares – diluted and adjusted diluted	**326,099**	259,049	271,339

9. Intangible assets

	Brands	Customer relationships	Goodwill	Intellectual property	Software develop-ment costs	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2014	24,821	29,079	303,130	1,774	2,283	361,087
Arising on acquisitions in the period (Note 2)	106	95	2,961	-	-	3,162
Capitalised development costs	-	-	-	-	211	211
Foreign exchange movement	(447)	(579)	(5,028)	(132)	(60)	(6,246)
At 30 June 2014	**24,480**	**28,595**	**301,063**	**1,642**	**2,434**	**358,214**
Amortisation						
At 1 January 2014	19,686	28,959	17,655	956	825	68,081
Charge for the period	282	119	-	169	145	715
Foreign exchange movement	(419)	(576)	(527)	(76)	(24)	(1,622)
At 30 June 2014	**19,549**	**28,502**	**17,128**	**1,049**	**946**	**67,174**
Net book value at 30 June 2014	**4,931**	**93**	**283,935**	**593**	**1,488**	**291,040**
Net book value at 31 December 2013	5,135	120	285,475	818	1,458	293,006
Net book value at 30 June 2013	5,567	407	295,505	975	325	302,779

The Directors have reassessed the carrying value of intangible assets and are satisfied that no impairment is required as at 30 June 2014.

10. 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 2013. 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).

10. Financial risk management and financial instruments continued

Fair value measurement continued

At 30 June 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Foreign exchange derivative	**–**	**55**	**–**	**55**
	–	**55**	**–**	**55**
Financial liabilities				
Interest rate swaps	**–**	**21**	**–**	**21**
Deferred contingent consideration (Note 12)	**–**	**–**	**3,884**	**3,884**
	–	**21**	**3,884**	**3,905**

At 30 June 2013	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swaps	–	293	–	293
Foreign exchange derivative	–	21	–	21
Deferred contingent consideration	–	–	9,649	9,649
	–	314	9,649	9,963

At 31 December 2013	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Foreign exchange derivative	–	68	–	68
	–	68	–	68
Financial liabilities				
Interest rate swap	–	157	–	157
Deferred contingent consideration (Note 12)	–	–	1,789	1,789
	–	157	1,789	1,946

Valuation techniques used to derive Level 2 fair values
Level 2 derivatives comprise foreign exchange contracts and interest rate swaps. The foreign exchange contracts 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.

11. Bank loans and overdrafts

In May 2014, the Group signed a new £90 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. The margin payable on the facility is variable between 1.60% and 2.50% depending on the Group's net debt to EBITDA ratio.

The previous facility was repaid in full in May 2014. Remaining capitalised loan fees in respect of this facility were written off, with the incremental charge included within highlighted items (see Note 4).

12. Provisions

	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 31 December 2013	1,789	1,111	365	3,265
Provision on acquisition of subsidiary	2,759	–	21	2,780
Arising during the year	–	81	17	98
Foreign exchange movement	(61)	(6)	(2)	(69)
Utilised	(609)	(136)	(222)	(967)
Unwind of discount	6	4	–	10
At 30 June 2014	**3,884**	**1,054**	**179**	**5,117**
Current	**1,111**	**272**	**148**	**1,531**
Non-current	**2,773**	**782**	**31**	**3,586**

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, that is contingent on the future financial performance of the acquired entity. The Group anticipates settling the deferred consideration provisions over the next three years. The potential undiscounted amount of future payments that could be required under all outstanding earnout arrangements ranges from £1.2 million to £7.9 million.

Property provisions

Provisions for property represent amounts set aside 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 timing of exiting the leases or to sublet the properties. In general, property provisions are expected to be utilised over a range of one to ten years.

Reorganisation and other provisions

This provision relates principally to employee termination benefits. 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.

Notes to the Financial Statements continued

for the six months ended 30 June 2014

13. Cash flow analysis

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

	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Operating profit	**7,908**	10,119	20,585
Depreciation	**1,087**	1,226	2,257
Share option charge	**500**	230	654
(Gain)/loss on disposal of property, plant and equipment	**(3)**	2	139
Amortisation of intangible assets	**715**	893	1,812
Unrealised foreign exchange loss/(gain) on hedging instrument	**13**	21	(68)
Decrease/(increase) in work in progress	**723**	(835)	(2,037)
(Increase)/decrease in debtors	**(5,395)**	(7,247)	103
Decrease in creditors	**(1,479)**	(3,084)	(1,571)
Decrease in provisions	**(326)**	(343)	(3,240)
Net cash inflow from operations	**3,743**	982	18,634

Net cash inflow from operations is analysed as follows:

	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Before highlighted items	**4,001**	2,979	23,327
Highlighted items	**(258)**	(1,997)	(4,693)
Net cash inflow from operations	**3,743**	982	18,634

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

	Six months ended 30 June 2014 £000	Six months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Increase/(decrease) in cash and cash equivalents in the period	**1,066**	(484)	4,098
Cash (inflow)/outflow from movements in debt	**(3,627)**	(2,059)	31,300
Repayment of capital element of finance leases	**6**	5	2
Change in net debt resulting from cash flows	**(2,555)**	(2,538)	35,400
Amortisation and write off of loan fees	**(623)**	(258)	(545)
Movement in fair value of derivative financial instruments	**123**	47	272
Translation differences	**(417)**	579	(277)
(Increase)/decrease in net debt	**(3,472)**	(2,170)	34,850
Net debt at beginning of period	**(32,013)**	(66,863)	(66,863)
Net debt at end of period	**(35,485)**	(69,033)	(32,013)

Notes to the Financial Statements continued

for the six months ended 30 June 2014

13. Cash flow analysis (continued)

(c) Analysis of net debt

	30 June 2014 £000	30 June 2013 £000	31 December 2013 £000
Cash and short-term deposits	**9,137**	4,864	8,580
Overdrafts (current)	**-**	(102)	(92)
Net cash and cash equivalents	**9,137**	4,762	8,488
Bank loans (current)	**-**	(6,000)	-
Bank loans and overdrafts (non-current)	**(44,651)**	(67,472)	(40,401)
Derivative financial assets	**55**	-	68
Derivative financial liabilities	**(21)**	(314)	(157)
Obligations under finance leases	**(5)**	(9)	(11)
Net debt	**(35,485)**	(69,033)	(32,013)

(d) Cash and cash equivalents

	30 June 2014 £000	30 June 2013 £000	31 December 2013 £000
Cash and short-term deposits	**9,137**	4,864	8,580
Overdrafts (current)	**-**	(102)	(92)
Cash and cash equivalents	**9,137**	4,762	8,488

14. 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 £977,000 in the six months ended 30 June 2014 (2013: £903,000).

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 2014 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 related notes 1 to 14. 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 endorsed by and adopted for use in 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 2014 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
8 August 2014

Statement of Directors' Responsibilities

for the six months ended 30 June 2014

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

- has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;
- 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

Lord Chadlington
Chief Executive