HUNTSWORTH

HUNTSWORTH PLC

interim report 2006

Contents

Highlights*

- Continuing revenue £70.1 million (2005: £40.7 million)
- Underlying operating profit before highlighted items of £10.0 million (2005: £4.6 million)
- Reported operating profit £6.4 million (2005: £2.3 million)
- Profit before tax and highlighted items £8.6 million (2005: £3.6 million)
- Underlying basic earnings per share up 60% to 3.2 pence (2005: 2.0 pence)
- 20% rise in interim dividend to 0.6 pence per share
- £30 million of net new business, 60% from existing clients
- Underlying operating margin before central costs and highlighted items for Public Relations businesses of 20.4%, Non Public Relations activities 9.6%. Overall Group operating margin before central costs of 19.4%
- Like-for-like revenue growth from Public Relations businesses up 6.0%, Non Public Relations activities down 18%. Overall like-for-like growth of 3.4%
- Cash flow from underlying operating activities of £10.8 million, representing a cash conversion of 108%
- Net debt increased in the first half in line with expectations to £31.3 million
- Launch of Huntsworth Health to unify the branding of the Group's healthcare communications businesses

*Notes

2005 comparatives have been restated for discontinued operations as well as the reclassification of share incentives and IFRS charges for holiday pay and imputed interest on deferred consideration which were previously treated as highlighted items but have now been absorbed into profit before highlighted items.

Highlighted items of £3.6 million (2005: £2.3 million) comprise amortisation and impairment of goodwill and intangibles, and in 2005, merger, restructuring and other non-recurring costs.

Like-for-like revenues include pre-acquisition revenues for all current businesses.

Contact details

Lord Chadlington	Chief Executive	+44 (0)20 7408 2232	email: lordchadlington@huntsworth.com
Sally Withey	Finance Director	+44 (0)20 7408 2232	email: sally.withey@huntsworth.com

Chief Executive's statement

Introduction
Huntsworth is an international public relations consultancy operating in three main practice areas – full service public relations; financial and corporate communications and public affairs; and healthcare communications.

Some 90% of our annual revenues derive from public relations. The balance is from healthcare advertising and other specialist communications activities. In the first half, 70% of our Public Relations business and 40% of our Non Public Relations business is from annual retainer or repeat business.

The results for the last six months reflect solid like-for-like growth, strong margins and excellent underlying momentum from new business wins. In the first half, we won £30 million of net new fees to be recognised in 2006, of which £18 million (60%) came from existing clients.

Our Public Relations revenues grew on a like-for-like basis by 6% in the first half and Non Public Relations activities (primarily event management) declined by 18% giving an overall like-for-like growth of 3.4%.

Underlying operating margins before central costs for Public Relations businesses were 20.4% with Non Public Relations activities delivering 9.6%, giving an overall margin of 19.4%. The Group has moved its event management businesses (Non Public Relations) both in the UK and in the USA into our recovery programme and the Board expects them to make an increased contribution in 2007.

Our people are key to delivering these results. The Group has a range of incentive schemes including those which shareholders approved at the 2006 AGM. These schemes have been introduced in order to attract and retain the most talented individuals. In 2006 the Group is absorbing these costs in the centre. In 2007, non-cash charges associated with these schemes of up to £2.5 million will be embedded into the operating company results and only that element which applies to head office personnel will be included in central costs.

Our target for public relations operating margins is 20%, and 15% or more after the deduction of central costs. In the six months to 30 June 2006, our operating margin after the deduction of central costs was 14.3%. We aim to convert a minimum of 100% of this into cash and in the period we achieved a cash conversion of 108%.

Huntsworth is demonstrating that it can acquire public relations businesses, build them and improve their margins and performance. The Board must demonstrate the progress in managing the integration of each major acquisition. In the Group's 2006 full year results, the Board will therefore report on the performance of the major acquisitions we have made.

New Media has been a major driver of our growth across all businesses in the Healthcare, Financial, Consumer and Corporate sectors. The power of "user-generated content" is recognised and harnessed by all our operations. We have developed innovative new media techniques to respond to the challenge of reaching targeted stakeholder groups. We also provide comprehensive monitoring and early warning processes for organisations within their reputation management programmes.

In the first six months to 30 June 2006 Huntsworth served 179 clients in more than one country (2005: 188) and nearly 10% of all Group clients are now served by more than one brand (2005: 5%). Building on this success we now need to complete the network while maintaining our margin target of 20%.

A global network is the key platform for servicing the Group's existing 2,500 clients and winning a greater share of international and regional business. Today through associates, affiliates and with the advance of technology, we can deliver for clients by working from key strategic hubs particularly in the United States, Asia Pacific and Eastern Europe. Future development of that network will be done with great care and only after a full understanding of the culture and the qualities of the businesses which we acquire.

The Board has recently appointed a new Finance Director and expects to announce a new Non-Executive Chairman by the time of the Annual General Meeting of 2007.

The first half has given us a strong start and a firm foundation for the full year. We have been encouraged after the summer months by the marked pick-up in new business activity which gives us confidence for the full year.

Financial performance

Summary of results

Trading results

	Six months to 30 June 2006			Six months to 30 June 2005		
	Underlying results	**Highlighted items**	**Statutory results**	Underlying results	Highlighted items	Statutory results
Revenue (£m)	**70.1**		**70.1**	40.7		40.7
Operating profit (£m)	**10.0**	**(3.6)**	**6.4**	4.6	(2.3)	2.3

	Six months to 30 June 2006		Six months to 30 June 2005	
Segmental analysis				
Revenue (£m)				
Public Relations	**63.5**		34.9	
Non Public Relations	**6.6**		5.8	
Total operations	**70.1**		40.7	
Operating profit (£m) and margins (%) (before central costs)				
Public Relations	**13.0**	**20.4%**	6.0	17.2%
Non Public Relations	**0.6**	**9.6%**	1.5	25.0%
Total operations	**13.6**	**19.4%**	7.5	18.3%

Notes:
2005 half year comparatives have been restated for discontinued operations as well as the reclassification of non-cash share incentives and IFRS holiday pay charges which were previously treated as highlighted items but have now been absorbed into profit before highlighted items.

Continuing revenue of £70.1 million includes a full six months of contribution from the continuing operations acquired through the merger of Huntsworth and Incepta (2005 comparatives include two months of contribution from continuing Incepta businesses).

Like-for-like revenue growth from Public Relations businesses was up 6.0% and Non Public Relations activities down 18% giving an overall like-for-like growth of 3.4%.

Underlying operating profit of £10.0 million (2005: £4.6 million) is stated before highlighted items of £3.6 million (2005: £2.3 million) comprising amortisation and impairment of goodwill and intangibles to give statutory operating profit of £6.4 million (2005: £2.3 million).

Profit before tax and highlighted items was £8.6 million (2005: £3.6 million).

Underlying operating margins before central costs and highlighted items for Public Relations businesses were 20.4%, Non Public Relations activities of 9.6% and overall of 19.4%.

Underlying operating margins after central costs were 14.3%. (2005:11.2%). Before share incentive charges which were absorbed at the centre in 2006, they were 15.2% (2005: 11.8%).

Highlighted items

Highlighted items of £3.6 million comprise £1.9 million for the amortisation of intangibles and £1.7 million for the impairment of goodwill in respect of Citigate Sard Verbinnen (CSV).

In February 2006, we reached an agreement to sell 51% of CSV to certain executives of the company on 1 January 2007 for $2.5 million (£1.4 million) and a net asset payment of $2.7 million (£1.5 million) by 30 June 2007. The remaining 49% will be acquired no later than 31 December 2009 for a total cash consideration of a further $17.5 million (a total of $20 million in present value terms as at 1 January 2006).

In 2006, the Group income statement includes the trading results of CSV together with an equal and opposite charge for the impairment of goodwill. The assets and liabilities of CSV, together with related goodwill, are shown in the Group balance sheet as assets and liabilities held for sale respectively and are valued at the net recoverable amount expected from the disposal transaction.

There were no net restructuring costs for the Group in the first six months of 2006.

Earnings
Profits attributable to ordinary shareholders amounted to £3.2 million (2005: £1.0 million).

Underlying basic earnings per share from continuing operations were up 60% to 3.2 pence (2005: 2.0 pence). Unadjusted basic earnings per share were 1.7 pence (2005: 0.3 pence) and diluted earnings per share were 1.6 pence (2005:0.3 pence).

Head office
It is expected that core central costs will be less than £6 million in 2006.

Balance sheet and cash flow
The cash flow from underlying operating activities of £10.8 million represents a cash conversion of 108%. This is before a £5.5 million cash impact relating to highlighted items provided for in prior years. These primarily relate to the Incepta merger and are expected to reduce significantly in 2007.

Other principal movements in net debt during the first six months were payments for net interest, tax and tangible fixed assets of £3.1 million, acquisitions and earn out payments of £8.0 million, and purchase of shares for share incentive schemes of £2.4 million, resulting in an overall increase in net debt of £7.9 million, from £23.4 million to £31.3 million.

Huntsworth has committed unsecured term, overdraft and guarantee facilities totalling £60 million in place until April 2008. EBIT interest cover (excluding highlighted items) was 6.8 times in the first half.

Tax
The tax charge of £1.5 million comprises an underlying charge of £2.2 million based on the expected full year rate of 26%, less £0.7 million for tax credits on highlighted items.

Earn-out payments
Future earn-out payments are estimated at £11.2 million, comprising £6.5 million payable in cash or in shares at Huntsworth's option, £2.0 million in shares and £2.7 million in cash. The timing of the aggregate of these payments is £5.0 million in 2006, £3.1 million in 2007 and £3.1 million in 2008.

Review of operations

Full Service Public Relations
Our Full Service Public Relations agencies are EHPR, Grayling, Harrison Cowley, Haslimann Taylor, SCPR, The Red Consultancy and Trimedia. They all have strong reputations in their respective fields and have been very successful during the first six months of 2006 in winning new business in specialist practice areas.

The Group's work in the public sector has been rewarded with a number of high profile contracts recently. For example, The Department For Culture, Media and Sport (DCMS) awarded a new contract to Harrison Cowley to support digital switchover amongst vulnerable audiences. The Red Consultancy has been appointed by The Department of Work and Pensions (DWP) to handle a three year campaign to deter current and potential benefit fraud. Recently The Department of Health (DoH) completed the six month review of its public relations agency roster and three Huntsworth agencies – Grayling, Harrison Cowley and The Red Consultancy – have succeeded in winning a place on that roster.

The Group continues to combine practice skills sets and multi-office partnerships to meet clients' needs. Trimedia was recently awarded the 13 country public relations programme for COLT Telecom Group plc, and Grayling has been appointed by Royal Mint to handle both public relations and public affairs. In Singapore and Thailand, Grayling has recently landed the prestigious British Airways account. Harrison Cowley has been awarded a contract by leading real estate company, Hammerson, to support two of its retail developments in a bid to establish the Midlands as a premier shopping destination and Burges Salmon, one of the UK's leading commercial law firms has appointed Harrison Cowley's South West and Wales team to provide a regional public relations programme.

New Media is an integral part of Huntsworth's full service offering and the power of 'user-generated content' is recognised and harnessed by all of the Group's operations. The strategic importance of New Media to Huntsworth has led to the creation of two specialist divisions. The Red Consultancy has partnered with UK-based blog innovators Shiny Media to form Shiny Red, which aims to bridge the gap between PR and direct-to-customer communications, while Trimedia is making the most of podcasts, blogging and viral marketing for clients which include Yuku and Yahoo! Italia.

Best practice is a core principle driving every business within the Huntsworth Group. Trimedia was recently recognised in the Holmes Report's 'Best Multinational Consultancies to Work For in Europe' and also in The Sunday Times '100 Best Companies to Work For' in the '100 Best Small Firms' category.

All our full service businesses have been recognised and honoured in prestigious industry awards recently including the Chartered Institute of Public Relations (CIPR) Excellence Awards and the International Public Relations Association (IPRA) Golden World Awards.

Financial and Corporate Communications and Public Affairs

The buoyant M&A markets of last year have continued into the first half.

Hudson Sandler advised on a wide variety of transactions including Lookers' offer for Reg Vardy and the subsequent defence against a hostile offer from Pendragon, EBS on its strategic review and sale to Lcap, Westbury on its sale to Persimmon and Telefonica on its disposal of TPI.

At Citigate Dewe Rogerson, recently ranked top financial PR adviser in DealWatch by PRWeek, work included advising QinetiQ on its IPO, defending ITV against an unsolicited private equity bid and advising Ferrovial on the acquisition of BAA.

GCG won projects from Koc Holding, Turkey's largest privately held company; Itau Securities, the largest wholesale bank in Brazil; The Royal Pharmaceutical Society of Great Britain; Capital One (UK), the leading international financial services firm and Associated British Foods.

In Hong Kong, Citigate Dewe Rogerson were communications advisors to Bank of China in the world's fourth largest IPO which raised US$11 billion. They are currently advising China's biggest bank ICBC in preparation for their IPO later this year. According to media reports it will be the world's biggest ever IPO which is estimated to raise US$19 billion. Retainer programmes in Asia include Bank of Amercia, Macquarie Bank and China Life.

Deal-led transactions accounted for only 9% of Group revenues in the first half. Alongside this activity the financial group's retained client base continued to increase.

Healthcare Communications

Huntsworth has always been committed to an integrated Healthcare offering. We acquired PBC, a successful healthcare advertising business headed by David Rowley in 2001. Since then the Healthcare group has grown to include VB Communications (advertising) and Avenue HKM (PR) in 2004 and Context Research International and Brand Health International in 2005 to give the Group a complete healthcare offering in the UK. Now in 2006 with Broad Street in the US we are shifting to a global presence in order to address client needs.

During this time, revenues have grown to 11% of Group revenues and Huntsworth Health has developed its position as the only truly integrated medical communications agency in the UK. It is one of the top five public relations agencies in the UK (based on PR Week league tables) and one of the largest specialist healthcare advertising agencies. This reputation enables us to attract the industry's top talent with 100% of client facing staff among the 110 strong team having a science degree or higher.

Our commitment to an integrated offer is paying dividends as traditional advertising revenues decline and more targeted and effective communications techniques prevail. Another important development has been the use of New Media in the Healthcare sector. Huntsworth Health has developed innovative solutions to traditional healthcare briefing methods with the introduction of touch-screen multimedia PC tablet technology. As a result, a number of key clients have now armed their sales force with the very latest interactive sales aids. This exciting new approach has proved so successful that new international opportunities have arisen as a result.

We are strengthening our commitment to the integrated communications model by bringing our seven healthcare companies together under one brand – Huntsworth Health – in two locations.

Although this will result in an exceptional cost in the region of £2.5 million in the second half, the Board believes that this is a necessary step to position the division for its next phase of growth.

Major clients benefiting from Huntsworth Health's integrated approach include Pfizer, Abbott, Biogen and Roche Diagnostics. The 'Best Professional Campaign' at the Communique Awards was won for work on behalf of Servier whilst 'Ad of the Year' at the PM Society Awards was won for ProStrakan. New clients won in 2006 include Astellas, Abacus and Quintiles.

Peter Chadlington
Chief Executive
20 September 2006

Unaudited consolidated income statement

for the six months ended 30 June 2006

	Notes	**Six months ended 30 June 2006 £000**	As restated Six months ended 30 June 2005 £000	As restated Year ended 31 December 2005 £000
Continuing operations				
Turnover		**96,022**	59,501	154,872
Revenue	4	**70,075**	40,720	108,347
Operating expenses – excluding highlighted items		**(60,056)**	(36,157)	(95,995)
Operating expenses – highlighted items		**(3,573)**	(2,262)	(42,382)
Operating expenses – total		**(63,629)**	(38,419)	(138,377)
Operating profit before highlighted items	4	**10,019**	4,563	12,352
Highlighted items – operating expenses	5	**(3,573)**	(2,262)	(42,382)
Operating profit/(loss)		**6,446**	2,301	(30,030)
Finance income	6	**86**	90	710
Finance costs	6	**(1,559)**	(1,078)	(3,753)
Share of profit from associates		**51**	—	142
Profit before tax and highlighted items		**8,597**	3,575	9,451
Highlighted items – operating expenses		**(3,573)**	(2,262)	(42,382)
Profit/(loss) on continuing operations before tax		**5,024**	1,313	(32,931)
Taxation (charge)/credit	7	**(1,536)**	(510)	2,947
Profit/(loss) for the period from continuing operations		**3,488**	803	(29,984)
Profit/(loss) from discontinued operations		**—**	714	(5,451)
Profit/(loss) for the period		**3,488**	1,517	(35,435)
Attributable to:				
Parent company's equity shareholders		**3,239**	1,033	(36,034)
Minority interests		**249**	484	599
		3,488	1,517	(35,435)
Earnings/(loss) per share from continuing operations:				
Basic – pence	9	**1.7**	0.3	(20.9)
Diluted – pence	9	**1.6**	0.3	(20.9)
Adjusted basic – pence*	9	**3.2**	2.0	5.7
Adjusted diluted – pence*	9	**3.1**	1.9	5.5
Earnings/(loss) per share from continuing and discontinued operations:				
Basic – pence	9	**1.7**	1.0	(24.6)
Diluted – pence	9	**1.6**	1.0	(24.6)

* Adjusted basic and diluted earnings per share from continuing operations is calculated based on the profit/(loss) for the period from continuing operations adjusted for highlighted items charged to continuing operations and the related tax effects (Note 9).

Unaudited consolidated balance sheet

as at 30 June 2006

	Notes	30 June 2006 £000	30 June 2005 £000	31 December 2005 £000
Non-current assets				
Intangible assets	10	**192,453**	270,655	194,641
Property, plant and equipment		**5,885**	10,492	7,148
Deferred tax		**3,316**	3,439	3,316
Other investments		**166**	108	238
		201,820	284,694	205,343
Current assets				
Work in progress		**1,890**	5,696	1,277
Trade and other receivables		**43,318**	73,358	45,326
Cash and short-term deposits	11(c)	**11,062**	11,273	9,277
		56,270	90,327	55,880
Assets held for sale		**12,807**	—	—
Current liabilities				
Bank overdrafts	11(c)	**(100)**	(2,086)	(126)
Loan notes payable	11(c)	**(1,534)**	(1,998)	(2,790)
Obligations under finance leases	11(c)	**(90)**	(127)	(142)
Trade and other payables		**(43,891)**	(63,753)	(46,419)
Corporation tax payable		**(8,444)**	(8,341)	(7,074)
Provisions		**(13,857)**	(11,027)	(13,470)
		(67,916)	(87,332)	(70,021)
Non-current liabilities				
Bank loans and overdrafts	11(c)	**(40,872)**	(80,658)	(29,373)
Loan notes payable		**—**	(1,434)	—
Obligations under finance leases	11(c)	**(210)**	(370)	(224)
Provisions		**(11,577)**	(16,397)	(11,753)
Other creditors		**(778)**	(5,687)	(6,399)
Deferred tax liabilities		**(5,951)**	(13,589)	(6,239)
		(59,388)	(118,135)	(53,988)
Liabilities held for sale		**(2,392)**	—	—
Net assets		**141,201**	169,554	137,214
Equity				
Called up share capital		**97,052**	91,572	96,070
Share premium account		**22,960**	22,888	22,921
Merger reserve		**74,464**	69,067	73,729
Foreign exchange translation reserve		**(42)**	2,068	2,710
Shares to be issued		**—**	4,864	—
Investment in own shares		**(3,133)**	(710)	(691)
Potential acquisition of minority interests		**—**	(4,168)	(4,168)
Retained earnings		**(51,256)**	(17,373)	(54,545)
Equity attributable to equity holders of the parent		**140,045**	168,208	136,026
Minority interests		**1,156**	1,346	1,188
Total equity		**141,201**	169,554	137,214

Unaudited consolidated cash flow statement

for the six months ended 30 June 2006

	Notes	**Six months ended 30 June 2006 £000**	As restated Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Cash inflow/(outflow) from operating activities				
Cash inflow from operations	11(a)	**5,316**	483	11,604
Interest paid		**(1,060)**	(1,120)	(3,750)
Interest received		**43**	151	248
Corporation tax paid		**(800)**	(632)	(1,877)
Net cash inflow/(outflow) from operating activities		**3,499**	(1,118)	6,225
Cash (outflow)/inflow from investing activities				
Acquisitions of subsidiaries		**(3,978)**	(3,416)	(7,956)
Special dividend paid to Incepta shareholders		**—**	(2,100)	(2,100)
Disposal of subsidiaries		**(1,084)**	—	53,817
Acquisition of minority interest		**(3,711)**	—	—
Disposal of minority interest		**78**	—	—
Purchases of property, plant and equipment		**(1,477)**	(1,149)	(3,649)
Proceeds from sale of property, plant and equipment		**155**	361	186
Proceeds from sale of fixed asset investments		**—**	55	55
Dividends received from associates		**144**	—	—
Net cash acquired with subsidiaries		**810**	24,854	25,920
Net cash disposed of with subsidiaries		**(83)**	—	(512)
Net cash (outflow)/inflow from investing activities		**(9,146)**	18,605	65,761
Cash inflow/(outflow) from financing activities				
Proceeds from issue of ordinary shares		**232**	13	62
Purchase of own shares		**(2,418)**	—	—
Repayment of finance lease liabilities		**(85)**	(108)	(199)
Repayment of loan notes		**(1,266)**	(4,974)	(5,636)
Net movement in borrowings		**11,591**	(5,438)	(58,048)
Dividends paid to minority interests		**(326)**	(76)	(163)
Dividends paid to equity holders of the parent		**—**	(306)	(1,231)
Net cash inflow/(outflow) from financing activities		**7,728**	(10,889)	(65,215)
Increase in cash and cash equivalents		**2,081**	6,598	6,771
Movements in cash and cash equivalents				
Net increase in cash and cash equivalents		**2,081**	6,598	6,771
Effects of exchange rate fluctuations on cash held		**170**	(43)	(252)
Cash and cash equivalents at 1 January		**9,151**	2,632	2,632
Cash and cash equivalents at end of period	11(c)	**11,402**	9,187	9,151

Unaudited consolidated statement of changes in equity

for the six months ended 30 June 2006

	Called up share capital	Share premium account	Merger reserve	Foreign currency translation reserve	Shares to be issued	Investment in own shares	Potential acquisition of minority interest	Retained earnings	Total	Minority interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2005	30,444	23,615	7,902	(183)	—	(8)	—	(18,388)	43,382	699	44,081
Impact of adoption of IAS 32 and IAS 39 on 1 January 2005	—	—	—	—	—	—	(4,168)	—	(4,168)	—	(4,168)
Currency translation	—	—	—	2,251	—	—	—	—	2,251	3	2,254
Total income and expense recognised in equity	—	—	—	2,251	—	—	(4,168)	—	(1,917)	3	(1,914)
Profit for the period	—	—	—	—	—	—	—	1,033	1,033	484	1,517
Total recognised income and expense for the period	—	—	—	2,251	—	—	(4,168)	1,033	(884)	487	(397)
Shares issued for cash	11	2	—	—	—	—	—	—	13	—	13
Disposals of minority interests	—	—	—	—	—	—	—	—	—	(80)	(80)
Acquisition of subsidiaries	61,117	—	61,165	—	—	—	—	—	122,282	240	122,522
Shares to be issued	—	—	—	—	4,864	—	—	—	4,864	—	4,864
Movement in investment in own shares	—	—	—	—	—	(702)	—	—	(702)	—	(702)
Share issue costs	—	(729)	—	—	—	—	—	—	(729)	—	(729)
Credit for share-based payments	—	—	—	—	—	—	—	286	286	—	286
Deferred tax on share-based payments	—	—	—	—	—	—	—	2	2	—	2
Equity dividends	—	—	—	—	—	—	—	(306)	(306)	—	(306)
Dividends to minority interests	—	—	—	—	—	—	—	—	—	—	—
Balance at 30 June 2005	91,572	22,888	69,067	2,068	4,864	(710)	(4,168)	(17,373)	168,208	1,346	169,554
Currency translation	—	—	—	642	—	—	—	—	642	(7)	635
Total income and expense recognised in equity	—	—	—	642	—	—	—	—	642	(7)	635
(Loss)/profit for the period	—	—	—	—	—	—	—	(37,067)	(37,067)	115	(36,952)
Total recognised income and expense for the period	—	—	—	642	—	—	—	(37,067)	(36,425)	108	(36,317)
Shares issued for cash	39	10	—	—	—	—	—	—	49	—	49
Acquisitions of subsidiaries	4,439	—	4,662	—	(4,864)	—	—	—	4,237	—	4,237
Disposal of minority interests	—	—	—	—	—	—	—	—	—	(103)	(103)
Movement in investment in own shares	—	—	—	—	—	19	—	—	19	—	19
Share issue costs	—	8	—	—	—	—	—	—	8	—	8
Credit for share-based payments	—	—	—	—	—	—	—	878	878	—	878
Deferred tax on share-based payments	—	—	—	—	—	—	—	(23)	(23)	—	(23)
Scrip dividend	20	15	—	—	—	—	—	(35)	—	—	—
Equity dividends	—	—	—	—	—	—	—	(925)	(925)	—	(925)
Dividends to minority interests	—	—	—	—	—	—	—	—	—	(163)	(163)
Balance at 31 December 2005	96,070	22,921	73,729	2,710	—	(691)	(4,168)	(54,545)	136,026	1,188	137,214
Currency translation	—	—	—	(2,752)	—	—	—	—	(2,752)	—	(2,752)
Total income and expense recognised in equity	—	—	—	(2,752)	—	—	—	—	(2,752)	—	(2,752)
Profit for the period	—	—	—	—	—	—	—	3,239	3,239	249	3,488
Total recognised income and expense for the period	—	—	—	(2,752)	—	—	—	3,239	487	249	736
Shares issued for cash	185	47	—	—	—	—	—	—	232	—	232
Acquisitions of subsidiaries	797	—	735	—	—	—	—	—	1,532	—	1,532
Movement in minority interests	—	—	—	—	—	—	4,168	(450)	3,718	45	3,763
Movement in investment in own shares	—	—	—	—	—	(2,442)	—	—	(2,442)	—	(2,442)
Share issue costs	—	(8)	—	—	—	—	—	—	(8)	—	(8)
Credit for share-based payments	—	—	—	—	—	—	—	500	500	—	500
Dividends to minority interests	—	—	—	—	—	—	—	—	—	(326)	(326)
Balance at 30 June 2006	**97,052**	**22,960**	**74,464**	**(42)**	**—**	**(3,133)**	**—**	**(51,526)**	**140,045**	**1,156**	**141,201**

1. Basis of preparation

These interim financial statements have been prepared in accordance with the Group's IFRS accounting policies set out in the Group's 2005 Annual Report and Accounts for the year ended 31 December 2005. The Group has not adopted the reporting requirements of IAS 34 'Interim Financial Reporting'.

The information relating to the six months ended 30 June 2006 and 30 June 2005 is unaudited and does not constitute statutory accounts. The comparative figures for the year ended 31 December 2005 are not the Company's statutory accounts for that financial year. The statutory accounts for the year ended 31 December 2005 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The interim financial statements are unaudited but have been reviewed by the auditors and their report to the Board of Huntsworth PLC is set out at the end of this document.

2. Accounting policies

The interim financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments.

In 2006 Huntsworth PLC has decided to treat the holiday pay and share option charges as normal operating expenses rather than highlighted items, and these charges have been reclassified accordingly from 'Highlighted items – operating expenses' to 'Operating expenses – excluding highlighted items'. Imputed interest on deferred consideration has also been treated as a normal finance cost rather than a highlighted item, and has been reclassified accordingly from 'Highlighted items – finance items' to 'Finance costs'. The directors consider that these new classifications are in line with best practice which has been established following the transition to IFRS over the past year. To allow comparability against the present year disclosures, the comparatives for the six month period ended 30 June 2005 and the year ended 31 December 2005 have been restated.

The comparative information for 30 June 2005 has also been restated to reflect the reclassification of operations discontinued in the second half of 2005 in accordance with accounting standards.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, and are consistent with those that the directors anticipate will be complied with in the annual financial statements for the year ending 31 December 2006.

3. Acquisitions and disposals

The following acquisitions were made during the period:

(i) Eurotandem

On 16 February 2006 the Group acquired 100% of the share capital in Eurotandem SAS for initial cash consideration of €4.1 million (£2.8 million) and the issue of 1,469,455 new ordinary shares of 50 pence each in Huntsworth PLC. Additional deferred consideration is payable dependent on the future financial performance of Eurotandem and will be payable in cash or shares, at the Group's sole discretion. The maximum total consideration payable is €8.65 million (£6.0 million).

(ii) Hudson Sandler

On 26 April 2006, the Group acquired the 40% minority interest in Hudson Sandler Limited for cash consideration of £3.7 million. Huntsworth transferred the 100% investment into a new company in which a broader Hudson Sandler management team have a 20% interest.

The following disposals were made during the period:

(i) Citigate Dewe Rogerson India

On 8 February 2006 the Group disposed of its 80% shareholding in Citigate Dewe Rogerson India, for cash consideration of £100,368. Included in the consolidated income statement is operating revenue of £23,000 and profit before tax of £1,000 for this business.

(ii) nxtMOVE LLC

On 6 March 2006 the Group disposed of the business and assets of nxtMOVE LLC to Optimisa plc for $1.55 million. Included in the consolidated income statement is operating revenue of $435,000 and a loss before tax of $240,000 for this business.

iii) Citigate Sard Verbinnen

On 15 February 2006 the Company announced that it had reached an agreement to sell Citigate Sard Verbinnen ('CSV') by the end of 31 December 2009. Shareholders approved the sale on 6 March 2006. Under the sale agreements, 51% will be acquired by certain executives of CSV on 1 January 2007 for $2.5 million (£1.4 million) and a net asset payment of $2.7 million (£1.5 million) by 30 June 2007. The remaining 49% will be acquired no later than 31 December 2009 for a total cash consideration of a further $17.5 million (£10.2 million) (such amounts to have an aggregate present value of $20 million (£11.6 million) as at 1 January 2006). This will be reduced by the amount of cash distributions from CSV from 1 January 2006.

4. Segmental analysis

The Group's primary reporting segment is business divisions which correspond with the way the operating businesses are organised and managed within the Group and its secondary segment is geographical origin. The following table analyses the revenue and operating profit before highlighted items from continuing operations accordingly:

	Six months ended 30 June 2006 £000	As restated Six months ended 30 June 2005 £000	As restated Year ended 31 December 2005 £000
Revenue			
Business segment			
Public Relations	**63,543**	35,103	94,968
Non Public Relations	**6,546**	5,806	13,472
Eliminations	**(14)**	(189)	(93)
Total	**70,075**	40,720	108,347
Geographical origin			
United Kingdom	**33,370**	23,736	58,293
Other European	**15,419**	8,912	22,857
USA	**19,116**	7,270	24,035
Rest of World	**2,184**	991	3,162
Eliminations	**(14)**	(189)	—
Total	**70,075**	40,720	108,347
Operating profit before highlighted items			
Business segment			
Public Relations	**12,941**	5,999	18,164
Non Public Relations	**628**	1,452	1,939
Unallocated expenses	**(3,550)**	(2,888)	(7,751)
Total	**10,019**	4,563	12,352
Geographical origin			
United Kingdom	**7,131**	4,947	11,504
Other European	**2,827**	1,251	4,000
USA	**3,193**	1,074	3,945
Rest of World	**418**	179	654
Unallocated expenses	**(3,550)**	(2,888)	(7,751)
Total	**10,019**	4,563	12,352

Unallocated expenses comprise central head office costs and share-based payment charges.

Operating profit before highlighted items has been restated to include the following charges previously included as highlighted items:

	Six months ended 30 June 2006 £000	As restated Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Share-based payment charge	**602**	252	576
Holiday pay charge	**475**	538	—
Total	**1,077**	790	576

5. Highlighted items

	Six months ended 30 June 2006 £000	As restated Six months ended 30 June 2005 £000	As restated Year ended 31 December 2005 £000
Amortisation of intangible assets	**1,908**	1,087	3,402
Impairment of goodwill and intangible assets	**1,665**	—	29,571
Merger, restructuring and other non-recurring costs	**—**	1,175	9,409
	3,573	2,262	42,382

The impairment of goodwill and intangible assets of £1.7 million for the six months ended 30 June 2006 relates to the write down of goodwill classified as held for sale for Citigate Sard Verbinnen, and this amount is equivalent to the profits from this business recognised in the period.

6. Finance costs and income

	Six months ended 30 June 2006 £000	As restated Six months Ended 30 June 2005 £000	Year ended 31 December 2005 £000
Bank interest payable	**1,265**	1,022	3,207
Loan note interest	**22**	21	66
Finance lease interest	**7**	15	30
Other net interest payable	**20**	20	—
Provision discount adjustment	**150**	—	240
Imputed interest on deferred consideration	**95**	—	210
Finance costs	**1,559**	1,078	3,753
Bank interest receivable	**(86)**	(90)	(227)
Revaluation of put option over minority interest	**—**	—	(450)
Other net interest receivable	**—**	—	(33)
Finance income	**(86)**	(90)	(710)
	1,473	988	3,043

7. Taxation

The tax charge for the six months ended 30 June 2006 has been based on an estimated effective tax rate on profit before highlighted items and share of profits from associates for the full year of 26% (year ended 31 December 2005: 20%).

	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Current tax	**2,108**	972	2,027
Deferred tax	**(572)**	(462)	(4,974)
	1,536	510	(2,947)
The tax charge/(credit) is further analysed below:			
Tax charge on profit before highlighted items and share of profits from associates	**2,246**	1,081	1,851
Tax credit on highlighted items	**(710)**	(571)	(3,490)
Non-recurring tax credits	**—**	—	(1,308)
	1,536	510	(2,947)

8. Dividends

	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Equity dividends on ordinary shares:			
Interim dividend for year ended 2005 – 0.5p	—	—	960
Special second interim dividend for year ended 2004 – 0.1p	—	306	306
	—	306	1,266

The proposed 2006 interim dividend of 0.6 pence per share was approved by the Board on 19 September 2006 and in accordance with IFRS has not been included as a deduction from equity at 30 June 2006. The dividend will be paid on 10 November 2006 to those shareholders on the register at 29 September 2006.

9. Earnings/(loss) per share

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

	Six months ended 30 June 2006		As restated Six months ended 30 June 2005*		As restated Year ended 31 December 2005	
	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
Continuing operations:						
Basic	**3,239**	**190,156**	319	102,846	(30,583)	146,579
Diluted	**3,239**	**197,531**	319	106,168	(30,583)	146,579**
Adjusted basic	**6,102**	**190,156**	2,010	102,846	8,309	146,579
Continuing and discontinued operations:						
Basic	**3,239**	**190,156**	1,033	102,846	(36,034)	146,579
Diluted	**3,239**	**197,531**	1,033	106,168	(36,034)	146,579**

* The weighted average number of shares has been restated to reflect that the Company's existing 10 pence ordinary shares were consolidated on the basis of one new 50 pence ordinary share for five existing 10 pence ordinary shares on 14 July 2005.

** 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 deferred consideration on acquisitions 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 discontinued operations, and highlighted items together with related tax effects as set out below:

(a) From continuing operations

	Six months ended 30 June 2006 £000	As restated Six months ended 30 June 2005 £000	As restated Year ended 31 December 2005 £000
Earnings:			
Profit/(loss) for the year attributable to parent company's shareholders	**3,239**	1,033	(36,034)
(Less)/add: (Profit)/loss from discontinued operations	—	(714)	5,451
Basic earnings from continuing operations	**3,239**	319	(30,583)
Highlighted items	**3,573**	2,262	42,382
Tax on highlighted items	**(710)**	(571)	(3,490)
Adjusted earnings from continuing operations	**6,102**	2,010	8,309

9. Earnings/(loss) per share (continued)

(b) From continuing and discontinued operations

Earnings for basic and diluted earnings/(loss) per share from continuing and discontinued operations is the profit/(loss) for the year attributable to parent company shareholders. The number of shares is the same as those detailed for continuing operations.

(c) From discontinued operations

Basic earnings/(loss) per share for the discontinued operations is £nil (December 2005: loss of 3.7 pence per share; June 2005: earnings of 0.7 pence per share) and the diluted earnings per share is £nil (December 2005: loss of 3.7 pence per share; June 2005: earnings of 0.7 pence per share), based on the profit/(loss) for the year from discontinued operations of £nil (December 2005: loss of £5,451,000; June 2005: earnings of £714,000) and denominators above for both the basic and diluted (loss)/earnings per share.

10. Intangible fixed assets

	Brands £000	Customer relationships £000	Goodwill £000	Total £000
Cost				
At 1 January 2006	19,697	10,959	197,994	228,650
Arising on acquisitions in the period	—	896	8,012	8,908
Adjustment to prior year acquisitions	—	—	2,413	2,413
Arising on disposal of subsidiaries in the period	—	—	(1,613)	(1,613)
Reclassified to assets held for sale	—	—	(16,195)	(16,195)
Exchange differences	(386)	(249)	(2,897)	(3,532)
At 30 June 2006	**19,311**	**11,606**	**187,714**	**218,631**
Amortisation				
At 1 January 2006	5,717	4,802	23,490	34,009
Charge for the period	391	1,517	—	1,908
Impairment	—	—	1,665	1,665
Arising on disposal of subsidiaries in the period	—	—	(1,143)	(1,143)
Reclassified to assets held for sale	—	—	(9,033)	(9,033)
Exchange differences	(230)	(201)	(797)	(1,228)
At 30 June 2006	**5,878**	**6,118**	**14,182**	**26,178**
Net book value at 30 June 2006	**13,433**	**5,488**	**173,532**	**192,453**
Net book value at 31 December 2005	13,980	6,157	174,504	194,641

Brands and customer relationships are being amortised over their useful economic lives of between 3 and 20 years. The amounts recognised above for intangible assets arising on acquisitions in the period are provisional awaiting final determination in accordance with the time limit allowed in IFRS 3. Details of acquisitions made during the period are set out in note 3.

11. Cash flow analysis

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

	Six months to 30 June 2006 £000	As restated Six months to 30 June 2005 £000	Year ended 31 December 2005 £000
Operating profit/(loss) from continuing operations	**6,446**	2,301	(30,030)
Operating profit from discontinued operations	**—**	1,023	283
Depreciation	**1,134**	1,035	2,892
Share-based payment charge	**602**	286	712
Property, plant and equipment written off	**—**	25	—
Loss/(profit) on disposal of property, plant and equipment	**3**	(49)	744
Amortisation of intangible assets	**1,908**	1,484	4,594
Impairment of goodwill and intangibles	**1,665**	—	30,187
(Increase)/decrease in work in progress	**(646)**	(1,655)	394
(Increase)/decrease in debtors	**(1,574)**	(1,778)	2,781
(Decrease)/increase in creditors	**(1,512)**	(805)	3,208
Decrease in provisions	**(2,710)**	(1,384)	(4,161)
Net cash inflow from operations	**5,316**	483	11,604

Net cash inflow from operations is analysed as follows:

	Six months to 30 June 2006 £000	As restated Six months to 30 June 2005 £000	Year ended 31 December 2005 £000
Before highlighted items and discontinued operations	**10,849**	3,575	17,960
Highlighted items	**(5,533)**	(3,163)	(10,728)
Discontinued operations	**—**	71	4,372
	5,316	483	11,604

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

	Six months to 30 June 2006 £000	Six months to 30 June 2005 £000	Year ended 31 December 2005 £000
Increase in cash and cash equivalents in the period	**2,081**	6,598	6,771
Cash (inflow)/outflow from (increase)/decrease in debt	**(11,591)**	5,438	58,048
Bank loans and overdrafts acquired	**—**	(78,535)	(78,536)
Loan notes acquired	**—**	(6,326)	(6,325)
Loan notes repaid	**1,266**	4,974	5,636
Repayment of capital element of finance leases	**85**	108	199
Change in net debt resulting from cash flows	**(8,159)**	(67,743)	(14,207)
Finance leases acquired with subsidiaries	**(29)**	(159)	(159)
New finance leases	**(1)**	(148)	(236)
Disposal/cancellation of finance leases	**8**	—	131
Translation differences	**255**	(878)	(2,435)
Increase in net debt	**(7,926)**	(68,928)	(16,906)
Net debt at beginning of period	**(23,378)**	(6,472)	(6,472)
Net debt at end of period	**(31,304)**	(75,400)	(23,378)

11. Cash flow analysis (continued)
(c) Analysis of net debt

	1 January 2006 £000	Cash flow £000	Other £000	**30 June 2006 £000**
Cash and short-term deposits	9,277	2,055	(270)	**11,062**
Cash classified as held for sale	—	—	440	**440**
Bank overdraft	(126)	26	—	**(100)**
Net cash and cash equivalents	9,151	2,081	170	**11,402**
Bank loans and overdrafts	(29,373)	(11,591)	92	**(40,872)**
Obligations under finance leases	(366)	85	(19)	**(300)**
Loan notes payable	(2,790)	1,266	(10)	**(1,534)**
Net debt	(23,378)	(8,159)	233	**(31,304)**

Independent review report to Huntsworth PLC

for the six months ended 30 June 2006

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, and the related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

The accounting policies are consistent with those IFRSs adopted for use by the European Union that the directors intend to use in the next financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
London
20 September 2006

HUNTSWORTH PLC
15–17 Huntsworth Mews
London NW1 6DD
Tel: +44 (0)20 7408 2232
Fax: +44 (0)20 7493 3048
www.huntsworth.com