HUNTSWORTH

Huntsworth PLC

Interim results for the six months to 30 June 2012

Profit before tax up 21%

Huntsworth PLC, the global public relations and healthcare communications group, today announces its interim results for the six months to 30 June 2012.

Financial highlights

Revenue

- Revenue of £88.2m (H1 2011: £88.1m)
- Like-for-like revenue growth of 0.5%
- Global and multi-office revenues up to 49% of group revenues (H1 2011: 46%)

Profits

- Operating profits up 18.6% to £13.7m (H1 2011: £11.5m)
- Operating margin before central costs 20.5% (H1 2011: 17.8%)
- Operating margin post central costs 15.5% (H1 2011: 13.1%)
- Profit before tax up 20.8% to £11.6m (H1 2011: £9.6m)

Diluted earnings per share

- Before highlighted items at 3.5p (H1 2011: 3.1p)
- After highlighted items at 3.1p (H1 2011: 2.1p)

Cash flow and net debt

- Cash flow from operations of £7.9m (H1 2011: £6.2m), representing a cash conversion of 57% (H1 2011: 54%)
- Net debt at £69.6m (31 December 2011: £71.1m)

Dividend

- Interim dividend of 1.0p (H1 2011: 1.0p)

Notes:

1) All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation of intangible assets, restructuring costs, additional litigation costs in the period and acquisition related costs.
2) Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures.
3) Cash flow is stated before taking account of highlighted cash flows which principally comprise of restructuring costs and the cash impact of property provisions made in previous periods.

Peter Chadlington, Chief Executive of Huntsworth, said:

“We have seen a 21% increase in profits before tax compared to the first half of last year.

This is a result of our rigorous cost control combined with the changing profile of the Group’s revenue stream gathering pace with global and multi-office revenues growing strongly in the period and now accounting for almost half of Group revenues.

These large multi-office account wins, which are typically on multi-year contracts, have taken time to come on stream but are now established and providing a firm revenue base across most markets, despite the challenging macro-economic environment which is increasingly impacting the expected decline in smaller single office revenues.

Cash generation remains good and with a reduced future deferred consideration profile, the Group is expected to deleverage.

We naturally remain cautious given the macro environment but progress in our multi-office and digital revenues are encouraging with a robust pipeline of new business for the second half and beyond.”

Contacts:

Huntsworth PLC +44 (0)20 7224 8778
Peter Chadlington, Chief Executive
Sally Withey, Chief Operating Officer & Group Finance Director

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

14 August 2012

Chief Executive's Statement

We have seen a 20.8% increase in profit before tax compared to the prior year, despite the challenging macro-economic environment. This is a result of our rigorous cost control combined with the Group's continued strategy to change the revenue profile to include a greater proportion of global and multi-office clients. These accounts grew by 8.4% on a like-for-like basis in the first half to 49% of our total revenues, up from 33% in the comparable period in 2009.

When we restructured and rebranded the Group in 2010 to attract global and multi-office clients we expected to see a decline in single office revenues. However with 56% of Group revenues in the European Union, single office revenues have been affected to a greater than expected extent due to the macro-economic environment, declining by 5.9% in the first half of 2012 compared to the previous year.

Overall, the Group had like-for-like revenue growth in the first half of 0.5%.

Geographically the USA was up 1.6% and Europe was up 4.8%, driven by continued expansion of last year's international wins and revenues from our pure digital agencies, which now represent 14% of group revenues and have delivered 35.6% like-for-like growth. The large multi-office wins in 2011, which are typically on multi-year contracts, have taken time to come on stream but are now established and providing a firm revenue base across most markets, particularly Europe. Revenues from our pure digital agencies now account for 18% of our multi-office revenues, up from 12% in the prior year.

Our businesses in the UK have been the most affected by the current economic climate, with a like-for-like decline of 5.3% in the first half. Financial transaction and project revenues have been significantly impacted and the general trends have been a shift from retainer to project revenues, conversion from pipeline to actual business taking longer and procurement continuing to apply pressure to drive down prices.

Our businesses categorised as Rest of World, while only representing 5% of Group, have delivered exceptional growth in the period of 29.1% thanks to new investments in the Middle East.

Divisionally, on a like-for-like basis, revenues in Grayling declined by 1.0%, Huntsworth Health grew by 2.7%, Citigate declined by 4.6% and Red grew by 13.1%.

Operating margins before central costs in the first half were 20.5% (H1 2011: 17.8%) and post central cost margins were 15.5% (H1 2011: 13.1%).

Our balance sheet remains strong with debt levels comfortably within our facilities and covenants. Cash conversion in the first half was 57% (H1 2011: 54%) and we are on track to meet our annual cash conversion target of 100%. Closing net debt was £69.6m and with a significantly reduced deferred consideration profile comprising just 7% of profits under earn-out post 2013, the group is expected to reduce its debt going forward.

The interim dividend has been maintained at 1.0p, in line with the previous year.

Grayling

- 49% of Group revenues
- Operating margins at 20.2%, 30% improvement in profitability
- Like-for-like revenue decline of 1.0%
- Like-for-like growth in multi-office clients of 10.0%

Grayling was launched as a global company in 2010 and won its first major clients during 2011. These accounts are now fully on stream and multi-office clients now represent 33% of Grayling's revenues driving a 30% improvement in profitability. Overall these revenues grew by 10.0% in the period on a like-for-like basis and are benefitting our European offices where we have seen growth in this category of 14.0%. The network is also seeing strong growth in pure digital and social media revenues which represent 14% of divisional revenues, and in the Middle East which now services the largest PR client in the Huntsworth group.

Chief Executive's Statement (continued)

Notable wins so far this year include Ryder Cup Europe, Diaverum and London City Airport. The agency is routinely pitching for and winning clients with £0.2m to £1m of annual fees, while importantly expanding the larger client relationships won last year including DHL, British Airways, Hilton and Kapsch.

The international pipeline is strong and over 50% larger than last year, although this is set against a challenging economic backdrop with smaller single country clients continuing to reduce in number and US public affairs revenues having slowed, as expected, in the run-up to the forthcoming election.

In July it was announced that Michael Murphy, Grayling's CEO, has decided that now the division has built an international delivery platform and is effectively competing against the large global agencies, it is the right time for him to move to the role of non-executive Chairman of Grayling. The search for a new CEO to lead Grayling in its next phase of development is underway.

Huntsworth Health

- 30% of Group revenues
- Operating margins sustained at 20.6%
- Like-for-like revenue growth of 2.7%
- Like-for-like growth in pure digital revenues of 49.2%

The healthcare market continues to be shaped by 3 major factors: the loss of patent of major blockbuster drugs (the "patent cliff") driving aggressive cost management within the pharmaceutical industry, the digital explosion which is driving a new era of integrated multichannel marketing, and consumer/patient empowerment which is driving prescription drugs to the over-the-counter space as well as driving rapid growth in the health and well-being sector.

Digital channel expertise is part of the DNA of Huntsworth Health and is central to tactical programme delivery across the company. Huntsworth Health's 'pure' digital agency now represents 27% of divisional revenues and has delivered 49.2% like-for-like growth in H1, fuelling 7.3% like-for-like growth in the USA and 9.6% growth in multi-office revenues.

While UK and wider European digital, marketing communications and PR revenues are up 3.2% in 2012, medical communications revenues were negatively affected by the decline in spend on blockbuster products that are losing patent protection, resulting in an overall decline in revenues of 6.1% in the region.

New business momentum is solid with multi-office, multi-year agency of record wins since June 2012 delivering more than £10m over the next 18-24 months. Huntsworth Health has better visibility of revenues going into the second half than the same time in 2011 with unidentified new business at 4% compared to 10% at the same time last year.

Huntsworth Health is building their business by adapting to the rapidly changing market and their ability to respond quickly to their client's changing needs is an important factor in their continued success.

Citigate

- 13% of Group revenues
- Operating margins sustained at 20.9%
- Like-for-like revenue decline of 4.6%

Transaction activity remained subdued during the first half with global M&A activity for financial PR advisers down 18.3% in terms of value on the same period in 2011, according to Mergermarket's latest data. In line with its peers, Citigate advised on fewer transactions in the first six months of the year compared to the same period last year.

Despite the challenging market conditions, Citigate continued to perform well during the period and maintained its number three position in the Mergermarket league table for PR advisers to European M&A and was number one for transactions in the Netherlands. High profile deals in the Financial practice in London included D.E MASTER BLENDERS 1753's $5 billion spin-off from Sara Lee, América Móvil's €2.45 billion investment in KPN and private investment firm OpCapita's acquisition of Game Group.

Chief Executive's Statement (continued)

The Corporate division in London won significant new business in the first half including financial services brands such as S&P Capital IQ, healthcare companies Oasis and Transform and technology firms including Kroll Ontrack, Comms-care and ZBD. The team also noted a significant rise in demand for crisis communications, particularly around regulatory compliance, as well as a surge in requirements from law firms seeking to competitively position their brands in a more open legal services market.

Elsewhere in Europe, revenues have been growing solidly, especially in the Netherlands. IPO markets remain relatively quiet in Asia but we have seen an increase in business from multinational companies looking to raise their profile in the region, including ICI Global and China Aircraft Leasing Company. Financial uncertainty continues to exist in financial institutions including banks which tend to rely heavily on capital market transactions.

Citigate is underpinned by retainer revenues, and although the outlook for H2 is dependent on Global market activity, margins across Citigate continue to be strong at 20.9%.

Red

- 8% of group revenues
- Operating margins of 21.1%
- Like-for-like revenue growth of 13.1%

Red's strong momentum from 2011 has been maintained in the first half of 2012. Its blue chip client base, diversified portfolio and strong new business record have combined to keep the agency growing once again this year.

Notable blue chip wins include the world's leading e-tailer Amazon and the world's biggest video games company Activision Blizzard. The agency also won the highly coveted NHS Blood and Transplant brief as well as leisure brand Center Parcs.

Red has been shortlisted for the 2012 PR Week Best Large Consultancy award and has a positive outlook for the second half.

Group Outlook

Management continues to keep a tight control of costs and expects the improved margins over 2011 to be maintained in the second half.

Cash generation is good and with a significantly reduced future deferred consideration profile the Group expects to reduce its debt going forward.

We naturally remain cautious given the macro environment but progress in our multi-office and digital revenues, along with the increase in our international pipeline of new business is encouraging.

To view an interview with Lord Chadlington and Sally Withey on the interim results and outlook for Huntsworth, please view the following from 4th of September 2012: http://www.huntsworth.com

Note

In the Chief Executive's Statement and commentary below all results are before taking account of highlighted items unless otherwise stated. Highlighted items comprise amortisation of intangible assets, acquisition related credits/costs, additional litigation costs in the period and restructuring costs.

Like-for-like growth is based on revenues at constant exchange rates, adjusted to include pre-acquisition revenues and exclude disposals/closures.

Review of Financial Results

SUMMARY OF FINANCIAL RESULTS

	2012 £'m	Like-for-like growth %	2011 £'m
Revenue			
Citigate	12.0	(4.6)%	13.2
Grayling	42.9	(1.0)%	43.1
Huntsworth Health	26.5	2.7%	25.7
Red	6.9	13.1%	6.2
Eliminations	(0.1)		(0.1)
Total operations	**88.2**	**0.5%**	**88.1**

	2012 £'m	Margin %	2011 £'m	Margin %
Operating profit				
Citigate	2.5	20.9%	2.7	20.1%
Grayling	8.7	20.2%	6.7	15.5%
Huntsworth Health	5.5	20.6%	5.2	20.4%
Red	1.4	21.1%	1.1	17.9%
Total operations	18.1	20.5%	15.7	17.8%
Central costs	(4.4)		(4.2)	
Operating profit before highlighted items	**13.7**	**15.5%**	**11.5**	**13.1%**
Operating highlighted items	(2.0)		(3.4)	
Reported operating profit	**11.7**	**13.2%**	**8.1**	**9.3%**
Adjusted basic EPS	3.7p		3.3p	
Reported basic EPS	3.2p		2.2p	

Revenue and profits

Group revenue in the six months to 30 June 2012 increased by 0.1% to £88.2 million (H1 2011: £88.1 million).

On a like-for-like basis, revenues grew by 2.7% in Huntsworth Health and in Red by 13.1%. However, both Citigate and Grayling saw a like-for-like revenue decline of 4.6% and 1.0% respectively. Overall Group like-for-like revenue grew by 0.5% in the first half of the year.

Operating margins improved in all four of the Group's divisions as compared to H1 2011, with divisional margins ranging between 20.2% (Grayling) and 21.1% (Red). As a result, Group operating profits before central costs in the first half increased by £2.4 million to £18.1 million, generating a Group operating margin before central costs of 20.5% (H1 2011: 17.8%).

The Group's operating margin after central costs increased to 15.5% compared to 13.1% in H1 2011.

Review of Financial Results (continued)

Currency

Changes in exchange rates have had little impact on the Group's results in the period.

Highlighted items

Operating highlighted items of £2.0 million in the first half of 2012 relate to the amortisation of intangible assets, restructuring costs, additional litigation costs in the period and acquisition related credits/costs. (H1 2011: total operating highlighted items £3.4 million).

After highlighted items, statutory reported operating profit was £11.7 million (H1 2011: £8.1 million).

Tax

The total tax expense of £1.7 million comprises an underlying tax expense of £2.7 million together with a credit of £0.9 million on highlighted items. The underlying tax expense is based on the expected full year underlying tax rate of 23.0% (year ended 31 December 2011: 18.5%).

Earnings

Profits attributable to ordinary shareholders before highlighted items were £8.9 million (H1 2011: £7.8 million). Basic earnings per share increased to 3.7p (H1 2011: 3.3p) and diluted earnings per share increased to 3.5p (H1 2011: 3.1p).

Profits after highlighted items attributable to ordinary shareholders were £7.8 million (H1 2011: £5.4 million), resulting in basic earnings per share of 3.2p (H1 2011: 2.2p) and diluted earnings per share of 3.1p (H1 2011: 2.1p).

Dividends

The interim dividend has been held at 1.0p per share (H1 2011: 1.0p). The record date for this dividend will be 5 October 2012 and it is payable on 9 November 2012. A scrip dividend alternative will be available.

Balance sheet and cash flow

The Group remains in a strong financial position and our businesses continue to generate good operating cash flows. Cash conversion of operating profit into operating cash flows was 57%. For the full year, Huntsworth expects to achieve the Group's cash conversion target of 100%.

Cash inflow from operations totalled £7.9 million (H1 2011: £6.2 million), before highlighted cash outflows of £2.6 million. The other principal cash outflows during the period were net payments for interest, tax and fixed assets of £3.7 million.

Net debt at 30 June 2012 has reduced to £69.6 million (30 June 2011: £72.6 million) which remains well within the Group's available debt facilities.

Financial covenants based on the Group's facility agreements continue to be comfortably met. Adjusted net debt to EBITDA is at 2.6 times for the half year (must be less than 3 times) and interest cover is at 7.3 times (must be greater than 4.25 times).

Earn-out obligations

Future earn-out obligations as at 30 June 2012 are estimated to be £15.4 million, comprising £6.7 million payable in cash and £8.7 million payable in cash or shares at Huntsworth's option. The expected timing of these obligations is £4.8 million in the second half of 2012, £4.8 million in 2013, £2.0 million in 2014, £1.7 million in 2015 and £2.1 million in 2016.

Review of Financial Results (continued)

Key risks and uncertainties

As described more fully on pages 14 and 15 of the 2011 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;
- 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;
- 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;
- exchange rate risk – arising from the Group having significant operations in the US and Europe;
- loan facility and covenant headroom risk;
- working capital risk – increased levels of working capital can have a cash cost to the Group;
- legal and regulatory compliance; and
- corporate social responsibility, both potentially leading to reputational 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 2011 Annual Report and Accounts were published and in particular whether the Group's exposure to country and currency risk has changed in light of the continued economic uncertainty in certain countries. Geographically, 38% of Group revenue in the first half of 2012 was from the UK and 21% from other European countries. The Group's risk in these locations is mitigated by continued monitoring of business wins and losses, staffing levels and aged debts. The Directors do not consider that the level of risk that the Group is exposed to has increased significantly in the first half of 2012.

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 31 countries. In the first half of 2012 the Group worked for circa 1,850 clients and provided services to 41 companies in the FTSE 100, 81 in the Fortune 500, 81 in the FTSEurofirst 300 and 37 of the world's largest healthcare companies.
2. The Group comprises four divisions: Grayling, Citigate, Red and Huntsworth Health. At 30 June 2012 the Group employed approximately 1,680 staff with an average annual fee income per head of £105 thousand.
3. By industry sector the revenue profile is broadly 22% Pharmaceuticals, 12% Technology, 11% Healthcare, 10% Financial Services, 8% Retail & Leisure, 6% Government & Public Sector, 6% Food and Drink, 5% Professional Services, 4% Industrial and 16% Other sectors.
4. Geographically, 38% of Group revenue in the first half of 2012 was from the UK, 21% from other European countries, 36% from the US, and 5% from the Rest of the World.
5. The Group now services 241 global and multi-office clients, representing 49% of revenue.
6. The top 15 clients already have annual committed revenue in excess of £1 million. In the first half our largest client represents 4% of revenue with the top 10 clients accounting for 19% and the top 25 clients accounting for 30%.
7. Highlighted cash flows arising from items already recognised on the balance sheet are due to be £3.5 million in 2012, £0.3 million in 2013 and £0.2m in 2014.

Condensed Consolidated Income Statement

for the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012 £000**	Six months ended 30 June 2011 £000	Audited Year ended 31 December 2011 £000
Turnover		**107,055**	107,971	220,887
Revenue	2	**88,205**	88,092	176,257
Operating expenses – excluding highlighted items		**(74,522)**	(76,552)	(152,755)
Operating expenses – highlighted items	3	**(2,021)**	(3,379)	(8,551)
Operating expenses – total		**(76,543)**	(79,931)	(161,306)
Operating profit before highlighted items	2	**13,683**	11,540	23,502
Highlighted items – operating expenses	3	**(2,021)**	(3,379)	(8,551)
Operating profit		**11,662**	8,161	14,951
Finance income	4	**6**	8	21
Finance costs	4	**(2,116)**	(1,965)	(4,397)
Profit before tax and highlighted items		**11,573**	9,583	19,126
Highlighted items	3	**(2,021)**	(3,379)	(8,551)
Profit before tax		**9,552**	6,204	10,575
Taxation expense	5	**(1,745)**	(845)	(847)
Profit for the period		**7,807**	5,359	9,728
Attributable to:				
Parent Company's equity shareholders		**7,807**	5,359	9,728
Earnings per share:				
Basic – pence	7	**3.2**	2.2	4.1
Diluted – pence	7	**3.1**	2.1	3.9
Adjusted basic – pence*	7	**3.7**	3.3	6.5
Adjusted diluted – pence*	7	**3.5**	3.1	6.2

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

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Audited Year ended 31 December 2011 £000
Profit for the period	**7,807**	5,359	9,728
Other comprehensive income and expense			
Amounts recognised in the income statement on interest rate swaps	**353**	394	762
Movement in valuation of interest rate swaps	**(39)**	(213)	(386)
Tax expense on interest rate swaps	**(77)**	(48)	(113)
Currency translation movement	**(2,185)**	1,029	943
Tax (expense)/credit on currency translation differences	**(69)**	41	(179)
Other comprehensive income and expense for the period	**(2,017)**	1,203	1,027
Total comprehensive income and expense for the period	**5,790**	6,562	10,755
Total comprehensive income and expense attributable to:			
Parent Company's equity shareholders	**5,790**	6,562	10,755

Condensed Consolidated Balance Sheet

as at 30 June 2012

	Notes	30 June 2012 £000	30 June 2011 £000	Audited 31 December 2011 £000
Non-current assets				
Intangible assets	8	**298,316**	306,729	302,283
Property, plant and equipment		**5,475**	5,281	5,205
Other receivables		**161**	344	244
Deferred tax assets		**122**	901	39
		304,074	313,255	307,771
Current assets				
Work in progress		**4,022**	2,495	4,060
Trade and other receivables		**46,862**	50,080	42,762
Current tax receivable		**538**	806	519
Derivative financial assets		**61**	-	-
Cash and short-term deposits		**5,178**	6,094	5,569
		56,661	59,475	52,910
Current liabilities				
Bank loans and overdrafts	9,11	**(3,095)**	(15)	(8)
Obligations under finance leases		**(10)**	(55)	(25)
Trade and other payables		**(51,867)**	(53,674)	(49,814)
Derivative financial liabilities		**(269)**	(510)	(246)
Current tax payable		**(2,657)**	(4,247)	(2,450)
Provisions	10	**(6,469)**	(12,890)	(8,162)
		(64,367)	(71,391)	(60,705)
Non-current liabilities				
Bank loans and overdrafts	9	**(71,160)**	(77,507)	(75,745)
Obligations under finance leases		**(8)**	(17)	(13)
Trade and other payables		**(1,109)**	(246)	(338)
Derivative financial liabilities		**(292)**	(564)	(631)
Deferred tax liabilities		**(1,687)**	(914)	(1,010)
Provisions	10	**(11,812)**	(14,527)	(12,144)
		(86,068)	(93,775)	(89,881)
Net assets		**210,300**	207,564	201,095
Equity				
Called up share capital		**106,385**	106,356	106,385
Share premium account		**26,594**	25,833	26,594
Merger reserve		**64,375**	63,319	64,375
Foreign currency translation reserve		**22,715**	24,986	24,900
Hedging reserve		**(499)**	(1,008)	(813)
Treasury shares		**(2,144)**	(1,835)	(2,140)
Investment in own shares		**(5,102)**	(5,471)	(5,338)
Retained earnings		**(2,024)**	(4,616)	(3,868)
Equity attributable to equity holders of the parent		**210,300**	207,564	210,095

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012 £000**	Six months ended 30 June 2011 £000	Audited Year ended 31 December 2011 £000
Cash inflow from operating activities				
Cash inflow from operations	11(a)	**5,315**	5,193	24,567
Interest paid		**(2,087)**	(1,377)	(3,356)
Interest received		**6**	15	27
Cash flows from hedging activities		**(43)**	121	121
Net current tax paid		**(919)**	(1,810)	(3,399)
Net cash inflow from operating activities		**2,272**	2,142	17,960
Cash outflow from investing activities				
Acquisition of subsidiaries, net of cash acquired, and deferred consideration payments		**-**	(19,985)	(24,895)
Proceeds from disposal of associate		**-**	7	20
Cost of internally developed intangible assets		**(43)**	(54)	(322)
Purchases of property, plant and equipment		**(739)**	(1,196)	(2,329)
Proceeds from sale of property, plant and equipment		**6**	14	65
Dividends received from associates		**-**	11	11
Net cash outflow from investing activities		**(776)**	(21,203)	(27,450)
Cash (outflow)/inflow from financing activities				
Purchase of own shares – treasury shares		**(4)**	(248)	(538)
Proceeds from sale of own shares to settle share options		**-**	5	5
Repayment of finance lease liabilities		**(19)**	(34)	(71)
Net (repayment)/drawdown of borrowings		**(1,805)**	16,270	14,278
Dividends paid to equity holders of the parent		**-**	-	(7,714)
Net cash (outflow)/inflow from financing activities		**(1,828)**	15,993	5,960
Decrease in cash and cash equivalents		**(332)**	(3,068)	(3,530)
Movements in cash and cash equivalents				
Decrease in cash and cash equivalents		**(332)**	(3,068)	(3,530)
Effects of exchange rate fluctuations on cash held		**(146)**	(137)	(193)
Cash and cash equivalents at 1 January		**5,561**	9,284	9,284
Cash and cash equivalents at end of period	11 (d)	**5,083**	6,079	5,561

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012

	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 2011	**106,356**	**25,840**	**63,319**	**23,957**	**(1,189)**	**(1,592)**	**(5,480)**	**(4,785)**	**206,426**
Profit for the period	-	-	-	-	-	-	-	5,359	5,359
Other comprehensive income/(expense)	-	-	-	1,029	181	-	-	(7)	1,203
Total comprehensive income	**-**	**-**	**-**	**1,029**	**181**	**-**	**-**	**5,352**	**6,562**
Purchase of own shares	-	-	-	-	-	(248)	-	-	(248)
Settlement of share options	-	-	-	-	-	5	9	(2)	12
Credit for share-based payments	-	-	-	-	-	-	-	723	723
Tax on share based payments	-	-	-	-	-	-	-	226	226
Share issue costs	-	(7)	-	-	-	-	-	-	(7)
Equity dividends	-	-	-	-	-	-	-	(6,130)	(6,130)
At 30 June 2011	**106,356**	**25,833**	**63,319**	**24,986**	**(1,008)**	**(1,835)**	**(5,471)**	**(4,616)**	**207,564**
Profit for the period	-	-	-	-	-	-	-	4,369	4,369
Other comprehensive income/(expense)	-	-	-	(86)	195	-	-	(285)	(176)
Total comprehensive income	**-**	**-**	**-**	**(86)**	**195**	**-**	**-**	**4,084**	**4,193**
Acquisitions of subsidiaries	18	-	1,062	-	-	-	-	-	1,080
Purchase of own shares	-	-	-	-	-	(305)	-	-	(305)
Settlement of share options	-	-	-	-	-	-	133	(134)	(1)
Credit for share-based payments	-	-	-	-	-	-	-	(195)	(195)
Tax on share based payments	-	-	-	-	-	-	-	(641)	(641)
Share issue costs	-	(10)	(6)	-	-	-	-	-	(16)
Scrip dividends	11	771	-	-	-	-	-	-	782
Equity dividends	-	-	-	-	-	-	-	(2,366)	(2,366)
At 31 December 2011 (audited)	**106,385**	**26,594**	**64,375**	**24,900**	**(813)**	**(2,140)**	**(5,338)**	**(3,868)**	**210,095**
Profit for the period	-	-	-	-	-	-	-	7,807	7,807
Other comprehensive income/(expense)	-	-	-	(2,185)	314	-	-	(146)	(2,017)
Total comprehensive income	**-**	**-**	**-**	**(2,185)**	**314**	**-**	**-**	**7,661**	**5,790**
Purchase of own shares	-	-	-	-	-	(4)	-	-	(4)
Settlement of share options	-	-	-	-	-	-	236	(236)	-
Credit for share-based payments	-	-	-	-	-	-	-	247	247
Tax on share-based payments	-	-	-	-	-	-	-	135	135
Equity dividends	-	-	-	-	-	-	-	(5,963)	(5,963)
At 30 June 2012	**106,385**	**26,594**	**64,375**	**22,715**	**(499)**	**(2,144)**	**(5,102)**	**(2,024)**	**210,300**

Notes to the Financial Statements

for the six months ended 30 June 2012

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services 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 2011 on pages 46-50. These are consistent with the accounting policies which the Group expects to adopt in its 2012 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 2012 and 30 June 2011 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 26 of this document. The comparative figures for the year ended 31 December 2011 have been extracted from the Group's Annual Report and Accounts 2011, 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 2011 have been filed with the Registrar of Companies.

Going concern

After reviewing the Group's performance, future forecasted performance and cash flows, and ability to draw down on its facilities and the covenant requirements of those facilities, 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.

2. Segmental analysis

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

6 months to 30 June 2012	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	**Total £000**
Revenue					
Total revenue	11,980	42,944	6,879	26,505	**88,308**
Intra-group eliminations	(41)	(62)	-	-	**(103)**
Segment revenue	11,939	42,882	6,879	26,505	**88,205**
Segment operating profit before highlighted items	2,507	8,662	1,451	5,462	**18,082**

6 months to 30 June 2011	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	**Total £000**
Revenue					
Total revenue	13,229	43,061	6,197	25,684	**88,171**
Intra-group eliminations	(16)	(63)	-	-	**(79)**
Segment revenue	13,213	42,998	6,197	25,684	**88,092**
Segment operating profit before highlighted items	2,655	6,678	1,111	5,251	**15,695**

2. Segmental analysis continued

Year ended 31 December 2011	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Revenue					
Total revenue	26,756	87,420	12,619	49,569	**176,364**
Intra-group eliminations	(69)	(24)	-	(14)	**(107)**
Segment revenue	26,687	87,396	12,619	49,555	**176,257**
Segment operating profit before highlighted items	5,148	14,205	2,278	9,293	**30,924**

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

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Segment operating profit before highlighted items	**18,082**	15,695	30,924
Unallocated costs	**(4,399)**	(4,155)	(7,422)
Operating profit before highlighted items	**13,683**	11,540	23,502
Highlighted items	**(2,021)**	(3,379)	(8,551)
Operating profit	**11,662**	8,161	14,951
Net finance costs	**(2,110)**	(1,957)	(4,376)
Profit before tax	**9,552**	6,204	10,575

Notes to the Financial Statements continued

for the six months ended 30 June 2012

3. Highlighted items

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Charged to operating profit			
Amortisation of intangible assets	**2,151**	2,101	4,368
Restructuring costs	**615**	-	2,433
Litigation costs	**10**	-	1,021
Acquisition related (credit)/costs	**(755)**	1,278	729
Charged to profit before tax	**2,021**	3,379	8,551
Taxation credit	**(919)**	(928)	(2,689)
Charged to profit for the year	**1,102**	2,451	5,862

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.

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 costs

Restructuring costs derive from cost saving initiatives announced in 2011 and include severance payments, property and other contract termination costs.

Litigation costs

Litigation costs relate to legal costs and settlements of cases pending final judgement. Whilst these costs may be recoverable, a contingent asset will not be recognised until this is virtually certain.

Acquisition related (credit)/costs

In line with the requirements of IFRS 3 (revised) ‘Business Combinations’, costs incurred in relation to acquisitions and any adjustments to the fair value of deferred 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. The Group did not incur any costs in respect of acquisitions in the period (H1 2011: £978,000).

Taxation

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

4. Finance costs and income

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Bank interest payable	**2,083**	1,866	4,238
Finance lease interest	**4**	11	16
Fair value movement on financial instruments	**-**	4	4
Imputed interest on property and other provisions	**8**	22	36
Imputed interest on deferred consideration	**21**	62	103
Finance costs	**2,116**	1,965	4,397
Bank interest receivable	**(2)**	(4)	(7)
Other interest receivable	**(4)**	(4)	(14)
Finance income	**(6)**	(8)	(21)
Net finance costs	**2,110**	1,957	4,376

5. Taxation

The tax expense/(credit) for the six months ended 30 June 2012 has been based on an estimated effective tax rate on profit before tax and highlighted items for the full year of 23.0% (year ended 31 December 2011: 18.5%). The tax expense/(credit) is analysed as follows:

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Before highlighted items:			
Current tax	**1,392**	1,099	1,133
Deferred tax	**1,272**	674	2,403
	2,664	1,773	3,536
Highlighted items:			
Current tax	**(366)**	(20)	(269)
Deferred tax	**(553)**	(908)	(2,420)
	(919)	(928)	(2,689)
Total:			
Current tax	**1,026**	1,079	864
Deferred tax	**719**	(234)	(17)
Total tax expense	**1,745**	845	847

The UK's Finance Act 2012 introduced legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013. However as this change was only substantively enacted on 3 July 2012 following the current reporting date, the Group's deferred tax balances have not been updated to reflect this change. The deferred tax balances in the Group's full year results to 31 December 2012 will incorporate this change in tax rate although it is not considered that this will have a significant impact on the Group's full year effective tax rate.

Notes to the Financial Statements continued

for the six months ended 30 June 2012

6. Dividends

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Equity dividends on ordinary shares:			
Final dividend for the year ended 2010 – 2.60 pence	**-**	6,130	6,130
Interim dividend for the year ended 2011 – 1.0 pence	**-**	-	2,366
Final dividend for the year ended 2011 – 2.50 pence	**5,693**	-	-
	5,693	6,130	8,496

The final dividend for the year ended 31 December 2011 of 2.50 pence per share was approved by shareholders at the Annual General Meeting on 18 May 2012 and was paid on 6 July 2012. This dividend is included in trade and other payables at 30 June 2012.

The proposed 2012 interim dividend of 1.0 pence per share was approved by the Board on 14 August 2012. The dividend will be paid on 9 November 2012 to those shareholders on the register on 5 October 2012.

7. Earnings per share

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

	Six months ended 30 June 2012		Six months ended 30 June 2011		Year ended 31 December 2011	
	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	**7,807**	**241,220**	5,359	238,768	9,728	239,313
Diluted	**7,807**	**251,893**	5,359	250,336	9,728	251,015
Adjusted basic	**8,909**	**241,220**	7,810	238,768	15,590	239,313
Adjusted diluted	**8,909**	**251,893**	7,810	250,336	15,590	251,015

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

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

7. Earnings per share continued

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

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Earnings:			
Profit for the period attributable to the Parent Company's shareholders	**7,807**	5,359	9,728
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**1,102**	2,451	5,862
Adjusted earnings	**8,909**	7,810	15,590

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Number of shares:			
Weighted average number of ordinary shares – basic and adjusted	**241,220**	238,768	239,313
Effect of share options in issue	**5,652**	9,759	7,662
Effect of deferred contingent consideration	**5,021**	1,809	4,040
Weighted average number of ordinary shares – diluted	**251,893**	250,336	251,015

8. Intangible assets

	Brands	Customer relationships	Goodwill	Intellectual property	Software develop-ment costs	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2012	25,373	30,157	308,067	1,578	871	366,046
Adjustments to prior year acquisitions	-	-	501	-	-	501
Capitalised development costs	-	-	-	-	43	43
Foreign exchange movement	(249)	(298)	(2,720)	103	4	(3,160)
At 30 June 2012	**25,124**	**29,859**	**305,848**	**1,681**	**918**	**363,430**
Amortisation						
At 1 January 2012	19,112	26,203	17,744	240	464	63,763
Charge for the period	243	1,741	-	167	68	2,219
Foreign exchange movement	(237)	(245)	(413)	18	9	(868)
At 30 June 2012	**19,118**	**27,699**	**17,331**	**425**	**541**	**65,114**
Net book value at 30 June 2012	**6,006**	**2,160**	**288,517**	**1,256**	**377**	**298,316**
Net book value at 31 December 2011	6,261	3,954	290,323	1,338	407	302,283
Net book value at 30 June 2011	6,637	5,559	292,417	1,910	206	306,729

Adjustments to goodwill on prior year acquisitions represent changes to contingent deferred consideration payable. This adjustment is made for acquisitions completed prior to 1 January 2010. Adjustments to deferred consideration payable for acquisitions completed after this date are taken to the Income Statement as highlighted items.

The Directors have reassessed the carrying value of intangible assets and are satisfied that no impairment is required as at 30 June 2012.

9. Bank loans and overdrafts

The Group has a £105 million multi-currency facility with Lloyds TSB Bank plc, The Royal Bank of Scotland plc and Clydesdale Bank plc and a £5 million committed overdraft facility with Lloyds TSB Bank plc. Both facilities are due to expire in May 2015. The margin payable on the facility is variable between 1.75% and 2.90% depending on the Group's net debt to EBITDA ratio.

10. Provisions

	Deferred contingent consideration	Property	Reorganisation and other	Total
	£000	£000	£000	£000
At 31 December 2011	15,772	2,599	1,935	20,306
Release of provision not utilised	-	(362)	-	(362)
(Released)/arising during the year	(254)	377	585	708
Foreign exchange movement	(158)	(15)	(8)	(181)
Utilised	-	(783)	(1,436)	(2,219)
Unwind of discount	21	7	1	29
At 30 June 2012	**15,381**	**1,823**	**1,077**	**18,281**
Current	**4,779**	**731**	**959**	**6,469**
Non-current	**10,602**	**1,092**	**118**	**11,812**

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 four years. The amount arising in the period represents the change in the estimated earn-out based on the latest financial performance of the acquired businesses.

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 six years.

Reorganisation and other provisions

This provision relates principally to employee termination benefits arising as a result of the restructuring initiative that commenced in December 2011. 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 2012

11. Cash flow analysis
(a) Reconciliation of operating profit to net cash inflow from operations

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Operating profit	**11,662**	8,161	14,951
Depreciation	**1,175**	1,134	2,325
Share option charge	**247**	677	528
Loss on disposal of property, plant and equipment	**10**	17	41
Amortisation of intangible assets	**2,219**	2,184	4,532
Unrealised foreign exchange gain on hedging instrument	**(18)**	-	-
Profit on disposal of associates	**-**	(9)	(9)
Decrease/(increase) in work in progress	**28**	(952)	(2,540)
(Increase)/decrease in debtors	**(4,452)**	(4,943)	2,072
(Decrease)/increase in creditors	**(3,190)**	(948)	1,841
(Decrease)/increase in provisions	**(2,366)**	(128)	826
Net cash inflow from operations	**5,315**	5,193	24,567

Net cash inflow from operations is analysed as follows:

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Before highlighted items	**7,865**	6,213	27,649
Highlighted items	**(2,550)**	(1,020)	(3,082)
Net cash inflow from operations	**5,315**	5,193	24,567

Notes to the Financial Statements continued

for the six months ended 30 June 2012

11. Cash flow analysis (continued)

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

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Year ended 31 December 2011 £000
Decrease in cash and cash equivalents in the period	**(332)**	(3,068)	(3,530)
Cash outflow/ (inflow) from debt drawdowns	**1,805**	(16,270)	(14,278)
Repayment of capital element of finance leases	**19**	34	71
Change in net debt resulting from cash flows	**1,492**	(19,304)	(17,737)
Amortisation and write down of loan fees	**(219)**	(308)	(538)
Movement in fair value of derivative financial instruments	**377**	55	252
Translation differences	**(146)**	(134)	(193)
Increase in net debt	**1,504**	(19,691)	(18,216)
Net debt at beginning of period	**(71,099)**	(52,883)	(52,883)
Net debt at end of period	**(69,595)**	(72,574)	(71,099)

(c) Analysis of net debt

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Cash and short-term deposits	**5,178**	6,094	5,569
Overdrafts (current)	**(95)**	(15)	(8)
Net cash and cash equivalents	**5,083**	6,079	5,561
Bank loans (current)	**(3,000)**	-	-
Bank loans and overdrafts (non-current)	**(71,160)**	(77,507)	(75,745)
Derivative financial assets	**61**	-	-
Derivative financial liabilities	**(561)**	(1,074)	(877)
Obligations under finance leases	**(18)**	(72)	(38)
Net debt	**(69,595)**	(72,574)	(71,099)

(d) Cash and cash equivalents

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Cash and short-term deposits	**5,178**	6,094	5,569
Overdrafts (current)	**(95)**	(15)	(8)
Cash and cash equivalents	**5,083**	6,079	5,561

12. 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 £1,028,000 in the six months ended 30 June 2012.

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 2012 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 12. 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 Services Authority.

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 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 Services Authority.

Ernst & Young LLP
London
14 August 2012

Statement of Directors' Responsibilities

for the six months ended 30 June 2012

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 Services 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

Sally Withey
Group Chief Operating Officer and Group Finance Director