HUNTSWORTH

Audited preliminary results for the year ended 31 December 2019

Huntsworth plc, the healthcare and communications group, today announces its preliminary results for the 12 months to 31 December 2019.

Financial Highlights

- Revenue up 18% at £264.9 million (2018: £225.0 million)
- Headline[1] operating profit up 35% at £44.8 million (2018: £33.2 million), representing a margin of 16.9% (2018: 14.8%)
- Like-for-like[2] revenue growth of 4% and like-for-like operating profit growth of 4%
- Headline profit before tax up 27% at £39.1 million (2018: £30.9 million)
- Headline diluted earnings per share up 14% at 8.1p (2018: 7.1p)
- Strong operating cashflow at 119% of operating profit (2018: 71%)
- Net debt[3] of £70.4 million, representing a leverage ratio of 1.5x EBITDA (2018: 1.9x)
- Proposed final dividend up 16% to 1.85p per share (2018: 1.6p per share) giving a total dividend for the year of 2.6p per share (2018: 2.3p per share)

Operational Highlights

- Continued strong organic growth from the Medical and Immersive divisions, with 9% and 6% like-for-like revenue growth respectively
- Return to growth in the Marketing division with an acceleration over H2
- Return to like-for-like revenue growth in the Communications division, Constellation Communications, for the first time in several years, reflecting the benefits of our strategy to streamline and rationalise operations
- Acquisitions of Creativ-Ceutical and Kyne, deepening our offering in market access and Healthcare PR; both successfully integrated and performing in line with expectations
- Continued margin improvement reflecting operational efficiencies and focus on higher quality work
- Investment of c. £4 million in the year to improve and expand the property portfolio and talent to manage a rapidly growing business.

Paul Taaffe, CEO of Huntsworth, commented:

"Huntsworth had yet another record year led by growth in our Medical and Immersive divisions and a return to growth in Communications. Organic revenue growth accelerated over the course of the year and the acquisitions of Kyne in Marketing and Creativ-Ceutical in Medical both contributed to 2019 performance and further enhanced our capability to attract larger and higher-margin client engagements.

We have entered 2020 well positioned for another year of growth with strong momentum at the start of the financial year and an increased new business pipeline."

Performance overview

Summary Financial Performance

	31 December 2019	31 December 2018	
Revenue	£264.9m	£225.0m	+18%
Operating profit	£36.3m	£31.4m	
Profit before tax	£29.8m	£28.6m	
Diluted earnings per share	5.4p	6.1p	
Headline operating profit[1]	£44.8m	£33.2m	+35%
Headline profit before tax[1]	£39.1m	£30.9m	+27%
Headline diluted earnings per share[1]	8.1p	7.1p	+14%
Final dividend per share	1.85p	1.6p	
Net debt[3]	£70.4m	£77.0m	

Notes:

1. Unless otherwise stated, headline results have been adjusted to exclude highlighted items. An explanation of how all adjusted measures have been calculated is included in Appendix 1.

2. Like-for-like (LFL) results are stated at constant exchange rates and excludes the effect of acquisitions and disposals. A reconciliation of IFRS measures to like-for-like measures is included in Appendix 1.

3. Unless otherwise stated, net debt and leverage figures exclude the impact of IFRS 16.

Enquiries

Huntsworth	**via Citigate Dewe Rogerson**
Paul Taaffe, CEO	
Ben Jackson, CFO	
Citigate Dewe Rogerson	**020 7638 9571**
Angharad Couch	
Nick Reading	
Elizabeth Kittle	

Performance overview

Chairman's Statement

I'm pleased to report another record financial performance at Huntsworth. We have made further good progress in executing our strategy of transforming the Group into a Healthcare marketing services-focused business, helped by the acquisitions of Kyne and Creativ-Ceutical in our Marketing and Medical divisions.

This year we have made a number of investments in staff and offices to allow us to build on the success of previous years and this impacted the speed of our profit growth. However, those investments were essential to allow us to continue to scale and we have begun to see their benefits during the fourth quarter of 2019; we expect these to continue in 2020 and beyond.

There has been significant progress across the Healthcare divisions. We have added new capabilities, agencies and staff and so continued to grow the collective offering. Like-for-like revenue growth of 5% was led by another very strong year in the Medical division, and although Marketing growth in H1 was held back by client-led issues, growth accelerated in H2 and we look forward to a stronger performance in 2020.

I'm delighted with the return to growth at our Communications division, Constellation Communications, after many hard years of restructuring and re-focusing. The division is comprised of many smaller agencies across the globe all of whom have contributed to the turnaround, although some standout performances were seen in Citigate Dewe Rogerson in Asia and Grayling in the UK and Brussels, all of which achieved double-digit revenue growth.

Given the strength of the Group's performance, the Company will be proposing to increase its final dividend to 1.85p, giving a total dividend for the year of 2.6p, an increase of 13% on 2018.

Since I became Chairman on 6th March 2019, I've found a fast-growing, dynamic and exciting business with dedicated and hard-working employees. With a collective ambition of providing world-class services to support and drive our clients' growth, these employees are bound by shared values of collaboration, transparency and integrity, notwithstanding the unique strengths and characteristics of each of our agencies. Over the coming year I look forward to seeing the benefits of deepening collaboration within and between our agencies.

In my first year I've been well supported by a strong Board, including Liz McKee-Anderson, who brought a wealth of industry expertise to help guide us all, but who unfortunately had to step down due to other commitments at the end of last year.

On behalf of the Board, I would like to thank the management team and staff for their hard work in achieving the growth we have enjoyed this year. The Group looks forward to more success during 2020 as we enter the year with good trading momentum and a strong financial position.

Performance overview

Chief Executive's Statement

Healthcare remains our focus for growth and investment, as it continues to be a fast-growing sector led by increasing global demand for new drugs to help ageing populations. This demand is driving a complex marketplace that requires a combination of higher margin consultancy services, medical affairs and more effective marketing which is being seen in client demand patterns across all our healthcare-focused divisions. Increasingly, clients are looking for a full service and digitally-driven offering to help launch, distribute and differentiate their products across their life cycles. Huntsworth is being shaped to deliver those requirements and services, and made good progress in 2019, with revenue growing by 18% to £264.9 million and headline profit before tax by 27% to £39.1 million. On a like-for-like basis, this represents growth of 4% in both revenue and profits.

Our growth in profits during the period was held back as we invested in key new hires and property in all our Healthcare divisions to enable the growing Group to benefit from its larger scale. That larger scale was seen in an increase in the number of new business pitches and wins which have contributed to a stronger second half of the year and continue to provide good momentum into early 2020.

To further support our ability to meet our clients' needs, we added two agencies to the Group in May 2019, both bringing key new capabilities as we seek to create a full service offering for our clients. We acquired 70% of Creativ-Ceutical S.A.R.L. ("CC") for an initial cash consideration of €15.5 million. CC is a fast-growing strategic market access, health economics and outcomes research consultancy serving global pharma and biotech customers. The business closely aligns with our Apothecom agency and forms an extension of the services within the Group's Medical division. In addition, we acquired 85% of Kyne Communications, LLC and Kyne Communications Limited (together, "Kyne") for an initial cash consideration of $17.4 million. Kyne is an award-winning global health communications agency providing public relations and patient advocacy services to a broad range of pharmaceutical and biotech clients, as well as working with a number of foundations to support their goals on disease awareness and eradication. The business sits within the Group's Marketing division, complementing its existing US-focused PR business and creating one of the world's leading health-focused public relations agencies. This greater scale is already allowing the Group to participate in bigger global assignments and win work that it would have been unable to access previously.

Whilst Huntsworth is firmly focused on developing and adding to its Healthcare assets, Constellation Communications remains an important part of the Group, contributing 17% of operating profits before central costs. As previously outlined, our efforts to restructure and right-size the operations were reflected in a return to like-for-like revenue growth of 3.3% for the first time in several years.

The Group remains focused on its debt levels. As we outlined previously, the industry does produce short-term cyclical movements in cash generation and this year has seen a reversal of the prior year trend with very strong cash generation. The Group produced a net operating cashflow inflow before highlighted items and after lease payments of £50.6 million (2018: £23.4 million). Net debt at 31 December 2019 was £70.4 million (2018: £77.0 million), equivalent to 1.5x EBITDA (2018: 1.9x EBITDA), a level we remain committed to on a longer-term basis.

Performance overview

Group performance summary

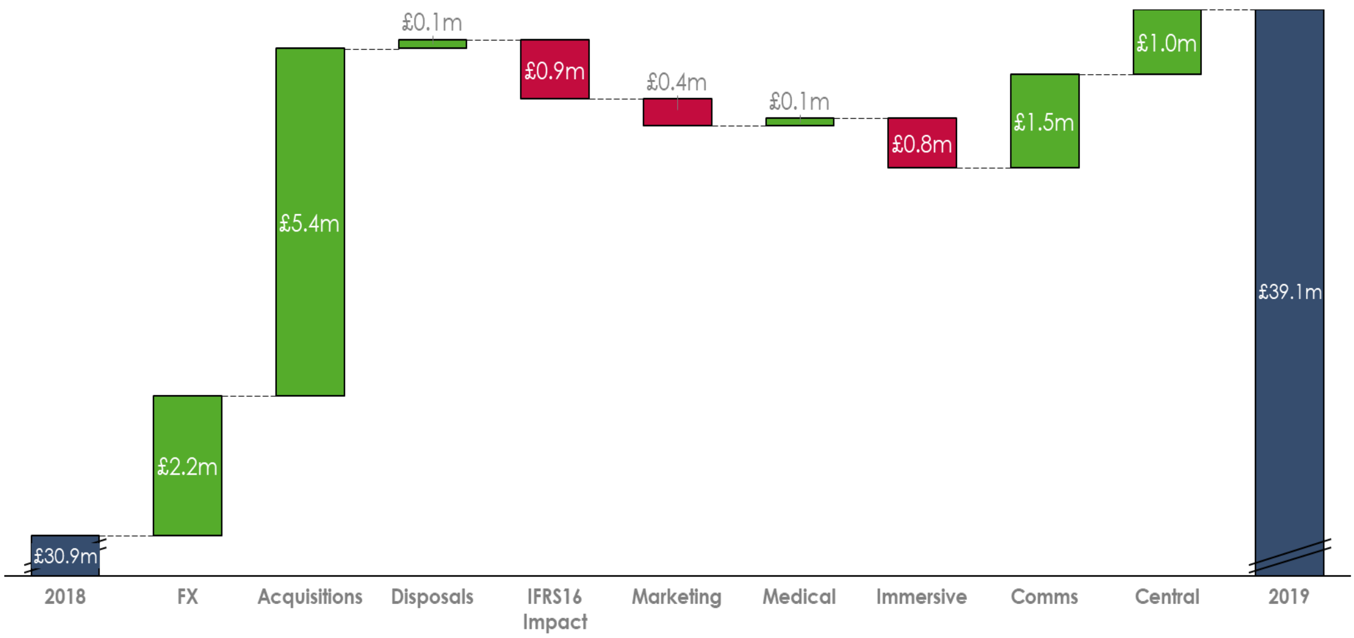
	2019 £m	Like-for-like growth %	2018 £m
Revenue			
Marketing	108.3	2.4%	82.0
Medical	45.1	8.5%	34.2
Immersive	37.9	5.8%	35.4
Communications	73.6	3.3%	73.4
Total operations	264.9	4.2%	225.0

Operating profit	2019 £m	Operating margin %	2018 £m	Operating margin %
Marketing	24.2	22.3%	20.0	24.4%
Medical	13.3	29.5%	9.8	28.6%
Immersive	4.3	11.3%	5.1	14.4%
Communications	8.3	11.3%	6.0	8.2%
Total operations	50.1	18.9%	40.9	18.2%
Central costs and associates	(5.3)		(7.7)	
Operating profit before highlighted items	44.8	16.9%	33.2	14.8%
Operating highlighted items	(8.5)		(1.8)	
Reported operating profit	36.3	13.7%	31.4	13.9%
Adjusted diluted EPS	8.1p		7.1p	
Reported diluted EPS	5.4p		6.1p	

Performance overview

The Group grew headline profits by 27% in 2019, largely as a result of the impact of acquisitions and positive exchange movements. Underlying profits were up £1.4 million, with strong profit growth from Constellation Communications and central bonus savings offset by investments in the Healthcare divisions.

The following bridge shows the key movements in headline profits in 2019:



A stronger dollar in 2019 compared to 2018 has resulted in a translational gain of £1.2 million, with a further £1.0 million incremental gain on hedging instruments. Acquisitions – which include both the contribution from Kyne and Creativ-Ceutical, as well as the annualisation of the 2018 acquisitions - added £5.4 million to profits, net of interest. Adjusting for all these factors, like-for-like headline profits before tax were up 4% reflecting good organic growth.

Revenues were £264.9 million (2018: £225.0 million), after positive currency movements of £4.9 million and a £28.3 million contribution from acquisitions. On a like-for-like basis, revenues grew by 4.2%, with the Healthcare divisions growing 4.6% in aggregate and Constellation Communications growing by 3.3%.

Headline profit before tax was £39.1 million (2018: 30.9 million), an increase of 27% or 4% on a like-for-like basis. Operating profits were £36.3 million (2018: £31.4 million), an increase of 16%. The following table reconciles statutory to headline profits:

£m	**2019**	**2018**
Operating profit	36.3	31.4
Highlighted items	8.5	1.8
Operating profit before highlighted items	**44.8**	**33.2**
Margin	*16.9%*	*14.8%*
Interest	(5.7)	(2.3)
Headline profit before tax	**39.1**	**30.9**

The application of IFRS 16 has reduced profits by £0.9 million, with a £1.3 million increase in operating profits offset by a £2.2 million increase in finance costs.

The Group's effective tax rate was 18% (2018: 18%). Diluted earnings per share were 5.4p (2018: 6.1p). Adjusted diluted earnings per share were 8.1p (2018: 7.1p), an increase of 14%.

Performance overview

The past four years have seen the Group transformed from a PR business with declining revenues and margins into a healthcare-focused communications business. Over the period profits have increased three-fold with no increase in leverage, as shown in the table below:

	HPBT	Leverage
2015	13.3	1.8x
2016	16.0	1.5x
2017	24.4	1.1x
2018	30.9	1.9x
2019	39.1	1.5x

Revenue

In 2019 the Group delivered revenues of £264.9 million, up from £225.0 million in 2018. This represents like-for-like growth of 4%, comprising 5% from our Healthcare divisions and 3% from Communications. 2019 acquisitions contributed £13.8 million to revenues. On a divisional basis, 41% of revenue came from Marketing, 17% from Medical, 14% from Immersive and 28% from Communications.

Geographically, 53% of Group revenue in 2019 was from the US, 32% from the UK, 11% from Europe and 4% from Asia and RoW.

Operating profit

Operating profit was £36.3 million (2018: £31.4 million). The increase primarily reflects the contribution of acquisitions (£5.4 million), favourable foreign exchange movements (£2.2 million) and strong profit conversion in the Constellation Communications division (£1.5 million). Central costs decreased by £1.0 million, with the majority of the decrease relating to variable executive remuneration, being lower annual bonuses and share option charges.

Before highlighted items, operating profit was £44.8 million (2018: £33.2 million), which represents an improved margin of 16.9% (2018: 14.8%). Margin improvements have been driven by organic growth, favourable foreign exchange movements, and the impact of acquisitions and disposals, all of which have offset the impact of investments made during the year.

Currency

Changes in exchange rates, primarily a stronger US Dollar (1.28 vs 1.38 in 2018), increased revenues by £4.9 million and operating profits by £2.2 million.

The strengthening of Sterling against the Dollar between 31 December 2018 and 31 December 2019 has also resulted in a £9.4 million expense to Other Comprehensive Income and Expense due to the retranslation of the Group's overseas assets.

Performance overview

Highlighted items

Highlighted items of £9.3 million comprise the following:

	£m
Amortisation of acquired intangible assets	6.9
Property	5.7
Disposal related expense	3.6
Acquisition and transaction related costs	1.2
Restructuring	0.7
Remeasurement of deferred consideration & redemption liabilities	(9.6)
Imputed interest charges	0.8
	9.3

The highlighted property costs are associated with property consolidations across the Group and include double rent costs and provision for onerous leases. The disposal related expense relates to the sale of our Grayling MEA division in July 2019. The remeasurement of deferred consideration and redemption liabilities reflects our latest estimates of these liabilities. These costs are excluded from adjusted results as they are one-off in nature.

Cash Flow and Net debt

Cash conversion of operating profit into operating cash flows before highlighted items and after lease payments and interest was 119% (2018: 71%).

Operating cash flow before highlighted items was £60.0 million (2018: £23.4 million). Free cash flow (after interest, tax, lease payments, capital expenditure and NCI dividends) was £31.9 million (2018: £13.5 million). Dividend payments, including £1.0 million paid to non-controlling interests, were £8.9 million (2018: £6.1 million). Net expenditure on acquisitions and disposals was £26.4 million, with £15.8 million raised through the issue of shares to partially fund these acquisitions. Earnout compensation paid in the year totalled £5.2 million.

The resulting net debt at year-end was £70.4 million, down from £77.0 million at 31 December 2018 as a result of better cash conversion in the year and lower levels of acquisition spending. This represents a gearing ratio of 1.5x EBITDA on a pro-forma basis (2018: 1.9x), comfortably within our covenant terms of 3.0x EBITDA.

Financial covenants based on the Group's facility agreements continue to be comfortably met.

Dividends

At the forthcoming AGM, the Board will propose a final dividend of 1.85 pence, up 16% on 2018, bringing the total dividend for 2019 to 2.6 pence and reflecting the growth in earnings. Subject to shareholder approval, the final dividend will be paid on 6 July 2020 to all shareholders on the register at 29 May 2020. The shares will trade ex-dividend on 28 May 2020. A scrip dividend alternative will be available. The dividend payout ratio for 2019 is 32% (2018: 32%).

Tax

The total tax charge of £7.3 million (2018: £6.9 million) comprises an underlying tax expense of £7.0 million (2018: £5.5 million) together with a charge of £0.3 million on highlighted items (2018: £1.3 million charge). The full year underlying tax rate is 18% (2018: 18%). The highlighted tax charge of £0.3 million relates to deferred tax on intangible assets.

Net corporation tax paid in the year was £4.7 million (2018: £4.1 million).

Performance overview

Earnings per share

Profits attributable to ordinary shareholders before highlighted items were £29.8 million (2018: £24.9 million). Profits after highlighted items attributable to ordinary shareholders are £20.3 million (2018: £21.3 million).

Before highlighted items, basic earnings per share for 2019 is 8.3p (2018: 7.5p) and diluted earnings per share is 8.1p (2018: 7.1p).

After highlighted items, basic earnings per share is 5.6p (2018: 6.4p) and diluted earnings per share is 5.4p (2018: 6.1p).

Performance overview

Divisional performance

Marketing

Marketing is led by US-based Evoke, the Group's largest agency, which primarily specialises in the marketing of prescription drugs directly to patients and healthcare professionals ("HCPs"). As previously highlighted, the division endured a difficult first six months, with the loss of a large client due to a procurement-led tendering exercise, clients suffering drug failures at stage 3 of their clinical trials and the loss of certain drug mandates due to regulation and competition. The second half of the year saw less of this type of attrition and despite delays in the start of new client work, the division returned to its long-term growth trajectory of 5% during the period. Overall, revenue grew by £26.3 million (32%) to £108.3 million, an increase of 2.4% on a like-for like basis. Operating profit increased by £4.2 million to £24.2 million, although this represented a decline of 2% on a like-for-like basis reflecting the investments in staff and property which helped drive H2 performance.

Marketing's longer-term outlook remains positive and we were pleased with the improved momentum in H2 this year. Putting the division into a wider context, the addition of the key capabilities of Giant Creative Strategy (the largest healthcare agency on the west coast and in the heart of the biotech hub), Navience Healthcare Solutions (market access) and AboveNation Media (adtech-enabled media planning and buying), all of which were purchased in 2018, and Kyne purchased this year has produced one of the top three independent specialist healthcare marketing groups in the industry: a group that is now capable of handling increasingly complex multi-audience, multi-geography client briefs and that is appearing on pitch rosters that were previously the preserve of the larger holding companies. The Group remains nimble and has expanded its talent pool to take advantage of these opportunities. We expect to see a further improvement in growth during 2020.

Medical

Medical is led by UK and US based Apothecom, which specialises in medical affairs and communications, underpinned by data and analytics. The division continued to grow strongly in 2019, posting its fourth successive year of double-digit revenue growth, with good organic growth and client wins, especially in the key therapeutic areas of oncology and CNS. This was supplemented by the contribution from Creativ-Ceutical from May 2019 and the move into consultancy with the creation of Medistrava. The division grew revenue by 32% (8.5% on a like-for-like basis) to £45.1 million. Operating profit increased to £13.3 million, representing growth of 36%, although only 1% on a like-for-like basis due to investment in staff and new property to cope with the expansion of the business.

The division continues to look for new capabilities to add to its offering and the successful integration of Creativ-Ceutical has provided the opportunity to access new clients and new territories. The division will look to build on these opportunities in 2020.

Immersive

The Immersive division is led by The Creative Engagement Group and is focused on providing deeply immersive experiences in exhibitions and events, scientific training and internal communications, with a particular strength in healthcare. 2019 was a year of investment in more senior staff and expanded office space in London to support the 25%+ growth we saw in 2018. This was accompanied by the development of our offering which saw the division launch a new agency, Forty1, which harnesses the needs of larger corporates to engage more meaningfully with their employees. We have already seen a significant level of demand across all sectors and won a number of significant assignments that start in 2020. Overall, revenues grew by £2.4 million, 6% on a like for like basis, to £37.9 million, although profits reduced by £0.8 million as result of the investments made.

Performance overview

Constellation Communications

Constellation Communications comprises the agencies Grayling, Red and Citigate Dewe Rogerson (CDR). This year saw a pleasing turnaround in performance, following three years of rationalisation, improved sales conversion, cost management and operational efficiencies. The division produced revenue of £73.6 million (2018: £73.4 million), which represents growth of 3.3% on a like-for-like basis. Operating profit improved by 38% to £8.3 million (2018: £6.0 million).

Group Outlook

The Group remains focused on enhancing the services we provide to our Healthcare clients by developing and adding capabilities. The enhanced capabilities added through acquisition and launch, combined with the investments made in all divisions during 2019, led to a stronger H2 and we are encouraged by the momentum into early 2020, positioning the Group for good growth in 2020.

The Group's balance sheet has strengthened over the year, helped by strong cash generation which has enabled the Group to meet its target debt level of 1.5x EBITDA. Overall, we are well positioned for future growth and look forward to reporting further progress in 2020.

Key risks and uncertainties

Key risks and uncertainties

The Risk Committee, on behalf of the Board, undertakes a comprehensive assessment of the principal risks facing the Group, including consideration of any emerging risks. Our risk management approach is designed to identify risks to the Group using both a bottom-up and top-down approach. The Group considers risks arising from our macro environment and strategic and operational priorities.

The likelihood and impact of each risk is determined using a risk scoring system. Appetite is set for each risk and indicators established to determine whether the Group is operating within the risk appetite set by the Board. The Group obtains various forms of ongoing assurance over the controls in place to mitigate each of the risks identified. All risks are documented in the Group's risk register which is reviewed at least six monthly or more frequently as required, including a review of the risk indicators.

Risk and Impact	Trend	Mitigating factors
MACRO		
Economic downturn		
Any economic downturn may result in fewer new client mandates, longer procurement processes and a squeeze on pricing, or an outright reduction in business. This can impact both revenue growth and operating margins. Subdued global financial markets can result in reductions to the level of transactional activity, reducing client mandates. Weak economic conditions can increase the length of time that clients take to pay for services, which can put pressure on the Group's working capital. There is also an increased risk of bad debts occurring as a result of clients' financial problems.		The Group has a wide spread of clients and products across both geography and industry sector, reducing reliance on any one particular economic environment. Geographical and sector diversification is monitored by the Risk Committee and the Board. Our significant and growing exposure to the healthcare sector mitigates the impact of an economic downturn, because demand for pharmaceutical products is relatively inelastic and therefore is less affected by an economic downturn. This protects our clients, which in turn means their spend with us is less likely to be impacted. Costs are managed in each business such that they can be flexed where needed in a downturn. However, where there are protracted economic difficulties in the Group's key markets, the ability of the Group to minimise the impact is constrained and performance may deteriorate. The Group closely reports and monitors aged debts, and ensures local management have action plans in place to minimise the risk of any loss. The impact of the coronavirus outbreak remains uncertain. Our Immersive division, which earns a significant proportion of its revenues from events and meetings, is likely to be most affected although current expectations are that the impact will not be material to the Group. The situation is being monitored on a real-time basis and government guidelines in each of our countries of operation are being followed and communicated to staff. Whilst a significant worsening in the outbreak is likely to have a more significant impact on the Group, the nature of our work, location of businesses, and capacity for remote working means that we do not believe this will impact the Group's viability outlook.

Key risks and uncertainties

Risk and Impact	Trend	Mitigating factors
MACRO		
Political instability Political or regulatory instability or change in our countries of operation may impact on our ability to operate, for example through licensing or regulatory changes. The political environment can also have an impact on the wider economic conditions, either through the direct impact of government policies in our countries of operation, or through the impact on business confidence.	⟷	The Group operates primarily within low-risk jurisdictions, with 94% of revenues coming from the US, UK and western Europe. Although the Healthcare sector is regulated, our agencies have extensive experience in navigating the regulatory environment and in providing compliant solutions to clients. In addition, the underlying sector fundamentals are strong and give protection against the possibility of material adverse regulatory change. Whilst there remains uncertainty about the nature of the UK's future trading relationship with the EU we do not anticipate a material impact on the Group's operations, on the basis that: the majority of our business is in the US; our businesses do not typically trade across borders; and we do not have complex supply chains. We anticipate that the main impact on the Group will be the financial impact of any movement in exchange rates.
Currency risk A substantial proportion of the Group operates outside of the UK, with significant operations in the US. As a result, the Group's reported profits and asset values are impacted by any fluctuation of Sterling relative to other currencies, particularly the US Dollar. The Group may also suffer restrictions on the ability to repatriate cash. The proportion of the Group's profits made in the US is increasing which increases the level of risk when exchange rates fluctuate. Exchange rates have also continued to prove volatile, particularly in light of the ongoing uncertainty over Brexit.	⟷	Most of the Group's revenue is matched by costs arising in the same currency. Foreign exchange exposure is continually monitored, and the Group uses derivative financial instruments and intercompany positions to mitigate this risk where deemed necessary. Borrowings are also available to be drawn down in US Dollars and Euros if required to hedge foreign currency exposure. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.
STRATEGIC		
Overreliance on Health sector One of the Group's strategic aims is to strengthen its focus on the Healthcare sector. In doing so, the Group's exposure to a single sector increases. Given the strength of the Healthcare sector in the US, and the fact that consumer marketing of prescription drugs is largely confined to the US, an increased focus on Healthcare is also likely to lead to an increased exposure to the US economy. By increasing the Group's exposure to a single sector and single geography, there is a risk that the Group will be more materially affected by a downturn in these markets. Given the increased proportion of revenues from Healthcare and the US, this risk is increased.	↑	The fundamentals of the Healthcare sector are strong, as a result of ageing populations and increasing prevalence of chronic diseases, particularly in the US. This leads to growing end-user demand which is relatively unaffected by economic cycles, thereby mitigating against the risk of a downturn. In addition, the Healthcare marketing services sector is fragmented, which means there would be continued opportunity for growth even if the overall sector were to enter a downturn. The Group is also expanding its suite of services, both organically and through acquisition, which increases the diversity of its offering within the Healthcare sector.

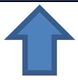
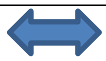
Key risks and uncertainties

Risk and Impact	Trend	Mitigating factors
STRATEGIC		
Service offering fails to evolve to meet changing market needs The communications industry is always changing, driven by client changes, technological change or emergence of competitors. The Group needs to be pro-active in identifying and delivering solutions to changing client needs. Failure to evolve can result in loss of market share, client losses and pressures on pricing, which can impact on revenue and margins.	⟺	The Group's range of services and international footprint increasingly allows us to offer clients an integrated portfolio of services across geographical locations which are attractive to new clients and help to strengthen existing client relationships. The Group continues to diversify its service offering, both organically and through acquisition, to provide a full spectrum of healthcare communications and public relations services. Reviews of all new business opportunities won and lost across the Group are performed regularly. Appropriate actions are taken where new business conversion rates are below expectations.2019 saw record levels of new business wins which indicates the service offering continues to meet market needs.
Acquisitions or investments fail to deliver expected growth The Group's strategy includes investing in new business opportunities, talent, start-ups and the acquisition of businesses which will broaden and enhance existing business operations. There is a risk that investments are based on inaccurate information or assumptions which fail to meet client needs and which may result in the investment being less financially beneficial than anticipated. Given the Group's acquisition activity during the year, this risk is increased.	⟺	All significant investments are supported by a business case, which must be approved by Executive Management and the Board, where appropriate. Rigorous due diligence procedures are performed prior to all acquisitions in order to identify and evaluate potential risks to the extent possible. In addition to the receipt of legal warranties and indemnities, the total consideration paid for a business typically includes an element of deferred consideration contingent upon future performance which mitigates the risk of overpaying for a business.

Key risks and uncertainties

Risk and Impact	Trend	Mitigating factors
OPERATIONAL		
Client dissatisfaction and loss of key clients Any loss of a key client would result in reduced revenues and profits and potentially an inability to recover amounts due under the contract.	⟺	The Group endeavours to build long-term relationships with its clients and to obtain preferred supplier and agency of record status where possible. The Group has a large portfolio of clients and seeks to expand and diversify its client base where possible. Within each of our large healthcare clients, the Group typically provides services to multiple brands within that client. Client satisfaction reviews are also undertaken periodically to evaluate service quality, and client retention plans are in place for all top tier clients. The Risk Committee monitors the extent of customer concentration to identify potential exposure.
Loss of key talent The Group's talent base is its most important resource. There is strong competition within the industry for experienced healthcare communications and PR professionals. Recruitment and retention of key individuals is important both for maintaining client relationships and ensuring that our services are of the highest quality.	⟺	The Group's policy is to recruit both Directors and employees of the highest quality and to remunerate them accordingly. The Group carries out succession planning and provides promotion opportunities as well as operating both short-term and long-term incentive plans to motivate and retain key individuals. An employee engagement survey was also conducted in the UK via an anonymous online platform, with a series of questions designed to gather quantitative data around employee experience and satisfaction. The results will be fully assessed in 2020. The Risk Committee and Remuneration Committee review the nature and extent of incentive plans offered to key individuals to ensure that the risk of talent loss is minimised. Restrictive covenants are included in employee contracts where legally enforceable.
Poor profitability Overservicing or underpricing may lead to poor profitability on client contracts, which could mean static or reduced returns to shareholders even if revenues are increasing.	⟺	The Group monitors the profitability of its operations, at both a business and a contract level. Poor profitability is quickly highlighted and remedial action – such as removing costs, closing an office or improving pricing discipline – is taken where appropriate.

Key risks and uncertainties

Risk and Impact	Trend	Mitigating factors
OPERATIONAL		
Information systems access and security Any information systems failure could negatively impact the Group's business operations, including delays to client work. Unauthorised access to confidential information held by the Group could compromise our client relationships and have a detrimental effect on our reputation. Cyber security risks are perceived to be increasing across the industry at the moment, particularly with the implementation of GDPR and increased focus on data protection.		Business and IT disaster recovery plans have been implemented to minimise any disruption in the event of an IT failure. External access to data is protected by the Group's IT security, which is reviewed and tested frequently to ensure that the Group's network is as secure as possible. Internal access to data is restricted appropriately. The Risk Committee monitors the number and extent of IT incidents and will take mitigating actions where appropriate. During the year we also engaged external cyber consultants to help develop a cyber framework to improve security.
Unethical business practices Both reputational and operational damage may arise if the Group engages in actual or perceived unethical client work. Ethical matters that are not identified or managed appropriately could cause reputational damage to the Group.		The Group strives to foster a culture of openness, responsibility and ethical behaviour and has an externally managed whistleblowing process for the reporting of any unethical conduct. The Group has a Code of Ethics published on our website which outlines the key principles which govern the Company's behaviour, mirroring an already established internal Ethics Policy. This Code applies to all Group staff, workers, employees, contractors, freelancers and Directors, without exception, and is intended to promote a heightened awareness of ethical considerations and individual responsibilities relating to all the Group's activities. During 2019 the Group issued its Modern Slavery Statement. As part of this process, the Company's supply chain was reviewed to ensue suppliers are able demonstrate that they operate in accordance with recognised standards that uphold human rights and safety, prohibit modern slavery and promote sustainable sourcing. Referral processes, including divisional committees, are in place to manage all perceived ethical and conflict issues. During 2019, an external firm continued to provide access to a confidential multichannel 24/7 whistleblowing service across the Group, available in local languages. The Whistleblowing Policy encourages the reporting of any instances of malpractice for investigation, and action is taken as required. The Group's weighting towards the heavily-regulated healthcare sector adds further protection against the risk of unethical business practices.

Key risks and uncertainties

Risk and Impact	Trend	Mitigating factors
OPERATIONAL		
Loan facility and covenant headroom risk Any liquidity issues could result in reputational damage and potentially impair the Group's ability to make future acquisitions or settle existing obligations.	⟺	The Group has £130 million of multi-currency revolving credit facilities with a syndicate of banks maturing in 2023, with an accordion option for a further £50 million as well as two uncommitted overdrafts of £5 million and $10 million. Management closely monitors all covenants on the Group's facilities and actively manages undrawn headroom. The Group has robust cash management processes including weekly cash reporting from our operations and cash pooling arrangements.
Legal and regulatory compliance Any failure to adhere to legislative requirements, including imposed sanctions on the supply of services to certain individuals, businesses and countries, could lead to reputational as well as financial damage to the Group.	⟺	The Group uses internal and external legal counsel throughout the world to advise on local legal and regulatory requirements and minimise the risk of loss. In-house training is conducted on key legislative matters such as GDPR, health and safety, and the UK Bribery Act. Policies on gifts, entertainment, anti-bribery and corruption, electronic communications, share trading and confidentiality are communicated to all employees using dedicated Policy Management Software.

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	4	**264,854**	224,956
Operating expenses		**(228,849)**	(193,860)
Share of profit from associate		**300**	267
Operating profit		**36,305**	31,363
Finance income	6	**32**	15
Finance costs	6	**(6,513)**	(2,774)
Profit before tax	4	**29,824**	28,604
Comprising:			
Profit before tax and highlighted items	5	**39,088**	30,857
Highlighted items	5	**(9,264)**	(2,253)
	4	**29,824**	28,604
Taxation expense	7	**(7,284)**	(6,883)
Profit for the year		**22,540**	21,721
Attributable to:			
Parent Company's equity shareholders		**20,296**	21,291
Non-controlling interests		**2,244**	430
Profit for the year		**22,540**	21,721

	Note	2019 pence	2018 pence
Earnings per share			
Basic	9	**5.6**	6.4
Diluted	9	**5.4**	6.1

Consolidated Statement of Comprehensive Income and Expense

For the year ended 31 December 2019

	Note	**2019 £000**	2018 £000
Profit for the year		**22,540**	21,721
Other comprehensive (expense) / income			
Items that may be reclassified subsequently to the income statement			
Amounts recognised in the income statement on interest rate swaps		**(173)**	176
Movement in valuation of interest rate swaps		**(262)**	(170)
Tax credit / (expense) on interest rate swaps		**83**	(1)
Tax credit on share-based payments		**301**	400
Currency translation differences		**(9,363)**	7,264
Tax credit on currency translation differences		**194**	54
Total items that may be reclassified subsequently to the income statement		**(9,220)**	7,723
Total other comprehensive (expense) / income for the year		**(9,220)**	7,723
Total comprehensive income for the year attributable to Parent Company's equity shareholders		**13,320**	29,444

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	10	**324,509**	287,288
Property, plant and equipment		**10,932**	9,751
Right-of-use asset		**38,573**	-
Investment accounted for using the equity method		**679**	479
Other receivables		**4,227**	2,594
Deferred tax assets		**207**	205
		379,127	300,317
Current assets			
Work in progress		**7,008**	8,440
Trade and other receivables		**93,233**	81,997
Current tax receivable		**1,593**	1,077
Cash and short-term deposits		**22,598**	22,787
		124,432	114,301
Current liabilities			
Lease liabilities		**(9,752)**	(2)
Bank overdraft		**(229)**	(357)
Trade and other payables		**(83,588)**	(69,423)
Current tax payable		**(3,912)**	(2,258)
Derivative financial liabilities	11	**(212)**	(122)
Provisions	12	**(7,266)**	(6,396)
		(104,959)	(78,558)
Non-current liabilities			
Bank loans		**(92,100)**	(99,214)
Lease liabilities		**(35,289)**	(1)
Trade and other payables		**-**	(4,105)
Derivative financial liabilities	11	**(438)**	(93)
Deferred tax liabilities		**(9,293)**	(8,705)
Provisions	12	**(47,029)**	(27,975)
		(184,149)	(140,093)
Net assets		**214,451**	195,967
Equity			
Called up share capital		**107,585**	107,380
Share premium account		**98,784**	82,423
Merger reserve		**29,468**	29,468
Foreign currency translation reserve		**33,663**	43,026
Hedging reserve		**(650)**	(215)
Put option reserve		**(35,917)**	(18,825)
Investment in own shares held in Employee Benefit Trusts		**(302)**	(516)
Accumulated losses		**(48,496)**	(61,306)
Equity attributable to equity holders of the parent		**184,135**	181,435
Non-controlling interest		**30,316**	14,532
Total equity		**214,451**	195,967

The Company number for Huntsworth plc (“the Company”) is 1729478.
These financial statements were approved by the Directors on 3 March 2020 and signed on their behalf by:
Ben Jackson
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash inflow from operating activities			
Cash inflow from operations	13(a)	**55,213**	22,100
Interest paid		**(3,051)**	(1,910)
Interest received		**33**	15
Cash flows on derivative financial instruments		**(532)**	(943)
Net tax paid		**(4,716)**	(4,127)
Net cash inflow from operating activities		**46,947**	15,135
Cash (outflow) from investing activities			
Acquisition of subsidiary – cash paid	3	**(30,796)**	(72,118)
Cash acquired through acquisition	3	**8,043**	5,474
Deferred consideration payments		**(8,480)**	–
Acquisition of minority interest		**(380)**	–
Additional consideration on prior year acquisitions		**(1,264)**	–
Proceeds from sale of businesses, net of cash disposed		**1,283**	1,183
Cost of internally developed intangible assets		–	(234)
Purchases of property, plant and equipment		**(5,206)**	(2,227)
Proceeds from sale of property, plant and equipment		**75**	53
Dividends received from associates		**100**	–
Net cash outflow from investing activities		**(36,625)**	(67,869)
Cash (outflow) from financing activities			
Proceeds from issue of ordinary shares		**15,762**	17,608
Purchase of treasury shares		–	(172)
Proceeds from sale of own shares to settle share options		–	474
Repayment of lease liabilities		**(9,409)**	(1)
Repayment of borrowings		**(7,607)**	53,247
Dividends paid to equity holders of the parent		**(7,852)**	(5,920)
Dividends paid to non-controlling interests		**(1,006)**	(182)
Net cash (outflow) / inflow from financing activities		**(10,112)**	65,054
Total increase in cash and cash equivalents		**210**	12,320
Movements in cash and cash equivalents			
Increase in cash and cash equivalents		**210**	12,320
Effects of exchange rate fluctuations on cash held		**(271)**	455
Cash and cash equivalents at 1 January		**22,430**	9,655
Cash and cash equivalents at 31 December	13(c)	**22,369**	22,430
Cash and short-term deposits		**22,598**	22,787
Bank overdraft		**(229)**	(357)
Cash and cash equivalents at 31 December	13(c)	**22,369**	22,430

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Treasury shares £000	Put option reserve £000	Investment in own shares £000	Accumulated losses £000	Total £000	Non-controlling interest £000	Total Equity £000
At 1 January 2018	107,203	63,843	29,468	35,762	(221)	(1,166)	–	(1,658)	(75,830)	157,401	–	157,401
Profit for the year	–	–	–	–	–	–	–	–	21,291	21,291	430	21,721
Total other comprehensive income	–	–	–	7,264	6	–	–	–	453	7,723	–	7,723
Acquisitions of subsidiaries	–	–	–	–	–	–	(18,825)	–	–	(18,825)	14,284	(4,541)
Exercise of put options	–	–	–	–	–	–	–	–	–	–	–	–
Remeasurements	–	–	–	–	–	–	–	–	–	–	–	–
Purchase of own shares	–	–	–	–	–	–	–	(172)	–	(172)	–	(172)
Settlement of share options	–	–	–	–	–	–	–	2,480	(2,006)	474	–	474
Issue of shares	166	17,968	–	–	–	–	–	–	–	18,134	–	18,134
Share issue costs	–	(526)	–	–	–	–	–	–	–	(526)	–	(526)
Charge for share-based payments	–	–	–	–	–	–	–	–	1,418	1,418	–	1,418
Tax on share-based payments	–	–	–	–	–	–	–	–	437	437	–	437
Transfers	–	–	–	–	–	1,166	–	(1,166)	–	–	–	–
Scrip dividends	11	1,138	–	–	–	–	–	–	–	1,149	–	1,149
Equity dividends	–	–	–	–	–	–	–	–	(7,069)	(7,069)	(182)	(7,251)
At 31 December 2018	107,380	82,423	29,468	43,026	(215)	–	(18,825)	(516)	(61,306)	181,435	14,532	195,967
Profit for the year	–	–	–	–	–	–	–	–	**20,296**	**20,296**	**2,244**	**22,540**
Total other comprehensive income	–	–	–	**(9,363)**	**(435)**	–	–	–	**578**	**(9,220)**	–	**(9,220)**
Acquisitions of subsidiaries	–	–	–	–	–	–	**(17,621)**	–	–	**(17,621)**	**14,863**	**(2,758)**
Exercise of put option	–	–	–	–	–	–	**529**	–	**48**	**577**	**(577)**	–
Remeasurements	–	–	–	–	–	–	–	–	–	–	**260**	**260**
Purchase of own shares	–	–	–	–	–	–	–	–	–	–	–	–
Settlement of share options	**22**	–	–	–	–	–	–	**214**	**(236)**	–	–	–
Issue of shares	**175**	**16,080**	–	–	–	–	–	–	–	**16,255**	–	**16,255**
Share issue costs	–	**(492)**	–	–	–	–	–	–	–	**(492)**	–	**(492)**
Charge for share-based payments	–	–	–	–	–	–	–	–	**1,282**	**1,282**	–	**1,282**
Tax on share-based payments	–	–	–	–	–	–	–	–	**(524)**	**(524)**	–	**(524)**
Transfers	–	–	–	–	–	–	–	–	–	–	–	–
Scrip dividends	**8**	**773**	–	–	–	–	–	–	–	**781**	–	**781**
Equity dividends	–	–	–	–	–	–	–	–	**(8,634)**	**(8,634)**	**(1,006)**	**(9,640)**
At 31 December 2019	**107,585**	**98,784**	**29,468**	**33,663**	**(650)**	–	**(35,917)**	**(302)**	**(48,496)**	**184,135**	**30,316**	**214,451**

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements of the Group have been prepared on the going concern basis. On 3 March 2020 the consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Directors. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds ('£000') except where otherwise indicated.

2. Significant accounting policies

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which have been measured at fair value. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability. The Group uses valuation techniques which maximise the use of observable inputs and minimise the use of unobservable inputs. All assets or liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as set out within IFRS 13.

The Group's significant accounting policies are listed below. These policies have been consistently applied to all the years presented unless otherwise stated.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

Except for the adoption of IFRS 16, the adoption of these standards and interpretations has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group. Other amendments to IFRSs effective for the period ending 31 December 2019 have no material impact on the Group.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- IFRS 17 Insurance Contracts
- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

3. Acquisitions

KYNE

On 21 May 2019, the Group acquired 85% of Kyne Communications, LLC and Kyne Communications Limited through direct and indirect interests (together, "KYNE"). Acquisition accounting has been performed in accordance with IFRS 3 (revised) Business Combinations.

KYNE has contributed £6.9 million to revenue and £1.9 million to profit before tax for the period between the date of acquisition and 31 December 2019. If the acquisition of KYNE had been completed on the first day of the financial year, Group revenues for the period would have been £268.3 million and Group operating profit would have been £37.0 million.

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

	Provisional Fair value recognised on acquisition £000
Customer relationships	6,659
Brands	1,703
Property, plant and equipment	78
Trade and other receivables	2,642
Cash and cash equivalents	1,390
Trade and other payables	(594)
Deferred tax liability	(314)
Non-controlling interest	(3,965)
Net identifiable assets acquired	7,599
Provisional goodwill arising on acquisition	14,868
Net assets acquired	22,467
Discharged by:	
Cash consideration	13,385
Deferred contingent consideration	9,082
Total consideration	22,467
Net cash inflow arising on acquisition:	
Cash consideration	13,385
Cash and cash equivalents acquired	(1,390)
	11,995

Cash consideration comprised $17.4 million for the trade of Kyne.

Goodwill comprises the value of expected synergies arising from the acquisition and other intangible assets that do not qualify for separate recognition.

The fair value of the contingent consideration payment is based on forecast average profits for the period from acquisition to 31 December 2020. The potential undiscounted range of future payments that Huntsworth plc could be required to make under the contingent consideration arrangement is between nil and $32.6 million and will be paid in cash or shares at Huntsworth's discretion.

The fair value of the non-controlling interest in Kyne, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

- an assumed terminal value based on a range of terminal EBITDA multiples between 7 and 9 times
- long-term sustainable growth rate of 2%
- assumed financial multiples of companies deemed to be similar to Kyne, and
- an assumed discount rate of 1.76%.

Acquisition related costs of £0.4 million were incurred and these are included within highlighted items in the Consolidated Income Statement. KYNE forms part of the Marketing operating segment. Simultaneous put/call options exist over the remaining 15% equity interest allowing the Group to call or the seller to put their shares in the subsidiary back to the Group at fair value in 2023. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within provisions with a corresponding charge directly to equity of £4.2 million. The redemption amount has been estimated on the same basis as the non-controlling interest above.

Creativ-Ceutical

On 21 May 2019, the Group acquired 70% of Creativ-Ceutical S.A.R.L. ("CC"). Acquisition accounting has been performed in accordance with IFRS 3 (revised) Business Combinations.

CC has contributed £6.9 million to revenue and £2.9 million to profit before tax for the period between the date of acquisition and 31 December 2019. If the acquisition of CC had been completed on the first day of the financial year, Group revenues for the period would have been £268.4 million and Group operating profit would have been £36.5 million.

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

	Provisional Fair value recognised on acquisition £000
Customer relationships	7,588
Brands	2,393
Property, plant and equipment	64
Right-of-use asset	19
Trade and other receivables	4,187
Cash and cash equivalents	6,653
Trade and other payables	(4,447)
Deferred tax liability	(2,495)
Provisions	(1,786)
Non-controlling interest	(10,898)
Net identifiable assets acquired	1,278
Provisional goodwill arising on acquisition	24,150
Net assets acquired	25,428
Discharged by:	
Cash consideration	17,411
Deferred contingent consideration	8,017
Total consideration	25,428
Net cash inflow arising on acquisition:	
Cash consideration	17,411
Cash and cash equivalents acquired	(6,653)
	10,758

Cash consideration comprised €15.5 million for the trade of CC plus €4.0 million as an instalment in respect of assets acquired. Goodwill comprises the value of expected synergies arising from the acquisition and other intangible assets that do not qualify for separate recognition.

The fair value of the contingent consideration payment is based on forecast average profits for the period from acquisition to 31 December 2020. The potential undiscounted range of future payments that Huntsworth plc could be required to make under the contingent consideration arrangement is between nil and €59.5 million and will be paid in cash or shares at Huntsworth's discretion.

The fair value of the non-controlling interest in CC, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

- an assumed terminal value based on a range of terminal EBITDA multiples between 7 and 9 times
- long-term sustainable growth rate of 2%
- assumed financial multiples of companies deemed to be similar to CC, and
- the effect of discounting has been assumed to be immaterial

Acquisition related costs of £0.4 million were incurred and these are included within highlighted items in the Consolidated Income Statement. CC forms part of the Medical Operating Segment.

Simultaneous put/call options exist over the remaining 30% equity interest allowing the Group to call or the seller to put their shares in the subsidiary back to the Group at fair value in 2023. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within provisions with a corresponding charge directly to equity of £13.3 million. The redemption amount has been estimated on the same basis as the non-controlling interest above.

CC's accounting policies were aligned to that of the Group with respect to the treatment of accrued and deferred income.

4. Segmental analysis

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

The Group's business activities are split into four operating divisions: Marketing, Medical, Immersive and Communications. These divisions are the basis on which information is reported to the Group's Chief Operating Decision Maker, which has been determined to be the Group Board of Directors. The segment result is the measure used for the purposes of performance assessment and represents profit earned by each segment, but before highlighted operating expenses, net finance costs and taxation.

Year ended 31 December 2019	**Marketing £000**	**Medical £000**	**Immersive £000**	**Communications £000**	**Total £000**
USA	**93,834**	**27,292**	**14,349**	**3,773**	**139,248**
UK	**14,224**	**11,134**	**23,497**	**36,500**	**85,355**
Europe	**-**	**6,025**	**-**	**24,133**	**30,158**
Rest of the World	**266**	**677**	**-**	**9,150**	**10,093**
Segment revenue	**108,324**	**45,128**	**37,846**	**73,556**	**264,854**
Segment operating profit before highlighted items	**24,209**	**13,298**	**4,298**	**8,286**	**50,091**

Year ended 31 December 2018	Marketing £000	Medical £000	Immersive £000	Communications £000	Total £000
USA	73,785	24,236	9,380	4,695	112,096
UK	7,805	9,926	26,043	35,083	78,857
Europe	–	–	–	23,545	23,545
Rest of the World	410	–	–	10,048	10,458
Segment revenue	82,000	34,162	35,423	73,371	224,956
Segment operating profit before highlighted items	20,012	9,774	5,117	5,989	40,892

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

A reconciliation of segment operating profit before highlighted items to total profit/(loss) before tax is provided below:

	2019 £000	2018 £000
Segment operating profit before highlighted items	**50,091**	40,892
Central costs	**(5,592)**	(7,965)
Share of profit from associate	**300**	267
Operating profit before highlighted items	**44,799**	33,194
Highlighted items in operating profit	**(8,494)**	(1,831)
Operating profit	**36,305**	31,363
Net finance costs	**(6,481)**	(2,759)
Profit before tax	**29,824**	28,604

Central costs comprise central head office costs which are not considered attributable to any segment.

5. Highlighted items

Highlighted items charged/(credited) to profit for the year comprise significant non-cash charges and non-recurring items.

	Note	2019 £000	2018 £000
Reported profit before tax		**29,824**	28,604
Adjustments charged/(credited) to operating expenses:			
Amortisation of acquired intangible assets	10	**6,934**	3,529
Acquisition and transaction related costs	3	**1,200**	976
Remeasurement of deferred consideration and redemption liabilities		**(9,565)**	(1,753)
Property		**5,667**	-
Restructuring		**676**	-
Disposal related expense / (credit)		**3,582**	(921)
Total adjustments charged to operating expenses		**8,494**	1,831
Adjustments charged to finance costs:			
Imputed interest on deferred consideration and redemption liability	6	**770**	422
Total adjustments charged to profit before tax		**9,264**	2,253
Adjusted profit before tax and highlighted items		**39,088**	30,857

	Note	2019 £000	2018 £000
Charged to profit before tax		**9,264**	2,253
Taxation expense on highlighted items	7	**263**	1,341
Charged to profit for the year		**9,527**	3,594

Amortisation of acquired intangible assets
Intangible assets are amortised systematically over their estimated useful lives, which vary from two to 20 years depending on the nature of the asset. The amortisation charge in respect of intangible assets is excluded from adjusted results as they relate to historic business combinations rather than normal ongoing operations.

Acquisition and transaction-related costs
In 2019 and 2018, costs were incurred relating to the acquisition of subsidiaries. These costs are excluded from adjusted results as they are one-off in nature.

Remeasurement of deferred consideration
The credit relates to subsequent remeasurement of the fair value of deferred contingent consideration. This credit is excluded from adjusted results as they relate to historic business combinations rather than ongoing operations.

Property
These are costs associated with property consolidations across the Group and include double rent costs and provision for onerous leases. These costs are excluded from adjusted results as they are one-off in nature.

Restructure
Restructuring costs include severance payments and compensation for loss of office which have occurred on Group integration activities.

Disposal-related expense
This represents an expense on disposals of subsidiaries, including adjustments for recycled foreign currency translation reserves. The net outcome has been excluded from adjusted results as it does not relate to ongoing operations.

Imputed interest on deferred consideration and redemption liability
Amounts payable as deferred consideration and the redemption liability contain a significant financing component. This represents the unwinding of the financing component.

Taxation
The tax related to highlighted items is the tax effect of the items above. The Group presents highlighted items charged to profit before tax by making adjustments for costs and credits which management believe to be significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings. The Group uses these adjusted measures to evaluate performance and as a method to provide shareholders with clear and consistent reporting.

6. Finance costs and (income)

	2019 £000	2018 £000
Bank interest payable	**3,542**	2,352
Interest on lease liabilities under IFRS 16	**2,201**	–
Finance costs recognised in highlighted items		
Imputed interest on deferred consideration and redemption liability	**770**	422
Finance costs	**6,513**	2,774
Bank interest receivable	**(8)**	(10)
Other interest receivable	**(24)**	(5)
Finance income	**(32)**	(15)
Net finance costs	**6,481**	2,759

7. Taxation expense

	2019 £000	2018 £000
Consolidated income statement		
Current tax		
Current year	**7,055**	6,084
Adjustments in respect of prior years	**(790)**	(1,149)
Current tax expense	**6,265**	4,935
Deferred tax		
Current year	**1,391**	1,096
Impact of changes in statutory tax rates	**(318)**	228
Adjustments in respect of prior years	**(54)**	624
Deferred tax expense	**1,019**	1,948
Income tax expense	**7,284**	6,883

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £000	2018 £000
Profit before tax	**29,824**	28,604
Notional income tax expense at the effective UK statutory rate of 19% (2018: 19%) on profit before tax	**5,661**	5,435
Permanent differences	**817**	426
Impact of share-based payments	**92**	(125)
Different tax rates on overseas profits	**1,761**	1,008
Impact of changes in statutory tax rates	**(316)**	228
Adjustments in respect of prior years	**(843)**	(525)
Utilisation and recognition of tax losses	**(228)**	(51)
Unrelieved current year losses	**420**	487
Amortisation of intangibles	**(80)**	–
Income tax expense	**7,284**	6,883

Comprising:		
Income tax charge on profit before tax and highlighted items	**7,021**	5,542
Income tax expense on highlighted items	**263**	1,341
Income tax expense	**7,284**	6,883

8. Dividends

	2019 £000	2018 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2018: 1.60p (2016: 1.45p)	**5,867**	4,761
Interim dividend for the year ended 2019: 0.75p (2018: 0.70p)	**2,767**	2,308
Total dividend expense	**8,634**	7,069

The total dividend includes a cash element of £7.8 million (2018: £5.9 million) and a scrip element of £0.8 million (2018: £1.1 million). Shareholdings under the Group's Employee Benefit Trust of 360,841 and 317,672 shares waived their rights to the 2018 final and 2019 interim dividends respectively (2018: 1,568,788 and 1,818,788 shares waived their rights to the 2017 final and 2018 interim dividend).

A 2019 final dividend of 1.85p per share has been proposed for approval at the Annual General Meeting in 2020.

9. Earnings per share

	2019 pence	2018 pence
Basic earnings per share	**5.6**	6.4
Diluted earnings per share	**5.4**	6.1
Adjusted basic earnings per share	**8.3**	7.5
Adjusted diluted earnings per share	**8.1**	7.1

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

	2019 Earnings £000	**2019 Weighted average number of shares 000s**	2018 Earnings £000	2018 Weighted average number of shares 000s
Basic	**20,296**	**361,044**	21,291	333,638
Diluted	**20,296**	**376,864**	21,291	350,010
Adjusted basic	**29,823**	**361,044**	24,885	333,638
Adjusted diluted	**29,823**	**369,026**	24,885	350,010

The basic earnings per share calculation is based on the profit for the year attributable to the Parent Company's shareholders divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share takes the basic earnings per share and adjusts for the potentially dilutive impact of employee share option schemes and shares to be issued as part of contingent consideration on acquisitions of subsidiaries.

Adjusted earnings per share is calculated in order to provide information to shareholders about underlying trading performance and is based on the profit attributable to the Parent Company's shareholders excluding highlighted items.

	2019 £000	2018 £000
Earnings:		
Profit for the year attributable to the Parent Company's shareholders	**20,296**	21,291
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**9,527**	3,594
Adjusted earnings	**29,823**	24,885

	2019 £000	2018 £000
Number of shares:		
Weighted average number of ordinary shares – basic	**361,044**	333,638
Effect of share options in issue	**7,982**	12,238
Effect of deferred contingent consideration	**7,838**	4,134
Weighted average number of ordinary shares – diluted	**376,864**	350,010

10. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Software development costs £000	Total £000
Cost					
At January 2018	28,386	41,813	345,568	4,762	420,529
Acquisitions	9,575	21,342	71,596	–	102,513
Capitalised development costs	–	–	–	234	234
Exchange differences	962	1,965	9,404	107	12,438
At 31 December 2018	**38,923**	**65,120**	**426,568**	**5,103**	**535,714**
Acquisitions	4,096	14,247	39,018	–	57,361
Adjustment to prior year acquisitions	–	–	(1,893)	–	(1,893)
Disposals	(258)	(365)	(5,710)	–	(6,333)
Exchange differences	(1,036)	(2,018)	(10,037)	(63)	(13,154)
At 31 December 2019	**41,725**	**76,984**	**447,946**	**5,040**	**571,695**
Amortisation and impairment charges					
At January 2018	23,758	33,703	179,060	2,780	239,301
Charge for the year	1,213	2,316	–	325	3,854
Exchange differences	591	1,113	3,513	54	5,271
At 31 December 2018	**25,562**	**37,132**	**182,573**	**3,159**	**248,426**
Charge for the year	2,063	4,871	–	355	7,289
Disposals	(258)	(365)	(2,838)	–	(3,461)
Impairment of capitalised development costs	–	–	–	484	484
Exchange differences	(627)	(1,007)	(3,879)	(39)	(5,552)
At 31 December 2019	**26,740**	**40,631**	**175,856**	**3,959**	**247,186**
Net book value at 31 December 2019	**14,985**	**36,353**	**272,090**	**1,081**	**324,509**
Net book value at 31 December 2018	13,361	27,988	243,995	1,944	287,288

No CGUs were considered impaired at 31 December 2019.

11. Financial instruments

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

Fair value measurement
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.
Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2019	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial liabilities				
Interest rate swap	–	**650**	–	**650**
Deferred contingent consideration and redemption liability	–	–	**48,386**	**48,386**
	–	**650**	**48,386**	**49,036**

At 31 December 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Interest rate swap	–	215	–	215
Deferred contingent consideration and redemption liability	–	–	31,956	31,956
	–	215	31,956	32,171

Valuation techniques used to derive Level 2 fair values
Level 2 derivatives comprise interest rate swaps. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

Valuation techniques used to derive Level 3 fair values
Deferred contingent consideration liabilities are valued using a discounted cash flow methodology. The liability is based on the acquired business' forecast average profits for the period from the date of acquisition to 31 December 2019. The significant unobservable inputs to this valuation include forecast average profits and the discount rate of 2.86% to 2.87%.

12. Provisions

	Redemption liability £000	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
At 1 January 2018	–	–	1,787	117	1,904
Acquisitions	18,825	13,348	–	–	32,173
Arising during the year	–	–	167	–	167
Remeasurements	(4,539)	2,786	–	–	(1,753)
Reclassification from accruals	–	–	–	449	449
Utilised	–	–	(121)	(18)	(139)
Foreign exchange movements	697	417	32	2	1,148
Unwind of discount	254	168	–	–	422
At 31 December 2018	**15,237**	**16,719**	**1,865**	**550**	**34,371**
Acquisitions	**17,621**	**17,006**	–	**1,786**	**36,413**
Arising during the year	–	–	**5,063**	**583**	**5,646**
Released during the year	–	–	**(265)**	–	**(265)**
Remeasurements	**(3,029)**	**(6,422)**	–	–	**(9,451)**
Utilised	**(380)**	**(8,480)**	**(3,588)**	**(71)**	**(12,519)**
Foreign exchange movements	**(534)**	**(122)**	**3**	**(17)**	**(670)**
Unwind of discount	**418**	**352**	–	–	**770**
At 31 December 2019	**29,333**	**19,053**	**3,078**	**2,831**	**54,295**

Current	**–**	**4,924**	**1,283**	**1,059**	**7,266**
Non-current	**29,333**	**14,129**	**1,795**	**1,772**	**47,029**

At 31 December 2018	Redemption liability £000	Deferred contingent consideration £000	Property £000	Reorganisation and other £000	Total £000
Current	–	5,257	589	550	6,396
Non-current	15,237	11,462	1,276	–	27,975
	15,237	16,719	1,865	550	34,371

Redemption liability for acquisitions
Certain acquisitions made by the Group include a put/call option to purchase the non-controlling interests' equity share at a future date, payable in either cash or a combination of cash and shares at the Company's option, which is contingent on the future financial performance of the acquired entity. The amount utilised in the year represents the cash paid or shares issued under the earn-out arrangements. The amount arising or released in the year represents a change in the estimated future financial performance of the acquired company.

Deferred contingent consideration for acquisitions
Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element, payable in either cash or a combination of cash and shares at the Company's option, which is contingent on the future financial performance of the acquired entity. The amount utilised in the year represents the cash paid or shares issued under the earn-out arrangements. The amount arising or released in the year represents a change in the estimated future financial performance of the acquired company. Where deferred consideration is not contingent on the outcome of future events the amount was included in trade and other payables.

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 ability to exit the leases early or to sub-let the properties. In general, property costs are expected to be incurred over a range of one to eight years.

Reorganisation and other provisions
This provision relates principally to redundancy provisions and contingent liabilities arising on acquisitions.

13. Cash flow analysis

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

	2019 £000	2018 £000
Operating profit	**36,305**	31,363
Share of profit from associate	**(300)**	(267)
Depreciation	**11,318**	3,234
Share option charge	**1,282**	1,418
Loss on disposal of property, plant and equipment	**1,173**	3
Amortisation of intangible assets	**7,289**	3,854
Impairment of right of use assets	**1,591**	–
Loss on financial instruments	**360**	767
Loss / (profit) on disposal of subsidiaries and investments	**3,582**	(921)
Decrease in work in progress	**1,278**	3,536
Increase in debtors	**(10,416)**	(8,239)
Increase / (decrease) in creditors	**10,041**	(10,890)
Decrease in provisions	**(8,290)**	(1,758)
Net cash inflow from operations	**55,213**	22,100

Net cash inflow from operations is analysed as follows:

	2019 £000	2018 £000
Before highlighted items	**59,998**	23,449
Highlighted items	**(4,785)**	(1,349)
Net cash inflow from operations	**55,213**	22,100

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

			Non-cash changes					
	2018 £000	Cash flow £000	IFRS 16 £000	Acquisitions £000	Amortisation £000	Fair value changes £000	Foreign exchange £000	**2019 £000**
Cash and short-term deposits	22,787	(7,822)	–	8,043	–	–	(410)	**22,598**
Overdraft	(357)	(10)	–	–	–	–	138	**(229)**
Bank loans	(99,214)	7,607	–	–	(493)	–	–	**(92,100)**
Derivative financial liabilities	(215)	532	–	–	–	(967)	–	**(650)**
Lease liabilities	(3)	9,409	(55,281)	–	–	–	834	**(45,041)**
Net debt	(77,002)	9,716	(55,281)	8,043	(493)	(967)	562	**(115,422)**

				Non-cash changes			
	2017 £000	Cash flow £000	Acquisitions £000	Amortisation £000	Fair value changes £000	Foreign exchange £000	2018 £000
Cash and short-term deposits	10,054	6,752	5,474	–	–	507	22,787
Overdraft	(399)	94	–	–	–	(52)	(357)
Bank loans	(45,686)	(53,247)	–	(281)	–	–	(99,214)
Derivative financial liabilities	(221)	943	–	–	(937)	–	(215)
Finance leases	(4)	1	–	–	–	–	(3)
Net debt	(36,256)	(45,457)	5,474	(281)	(937)	455	(77,002)

(c) Analysis of net debt

	2019 £000	2018 £000
Cash and short-term deposits	**22,598**	22,787
Bank overdraft	**(229)**	(357)
Bank loans	**(92,100)**	(99,214)
Derivative financial liabilities	**(650)**	(215)
Lease liabilities	**(45,041)**	(3)
Net debt	**(115,422)**	(77,002)

At 31 December 2019 the Group had undrawn committed facilities of £35.2 million (2018: £4.1 million) available.

14. Commitments and contingent liabilities

In the normal course of business, the Group is, from time to time, subjected to legal actions, contractual disputes, employment claims and tax assessments. In the opinion of the Directors the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial statements.

The Company and its subsidiaries have entered into a number of indemnifications, performance and financial guarantees, in the normal course of business, which gives rise to obligations to pay amounts or fulfil obligations to external parties should certain conditions not be met or specified events occur. As at the date of this report, no matter has come to the attention of the Group which indicates that any material outflow will occur as a result of these indemnities and guarantees.

15. 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 its subsidiaries and associates and with its Directors.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

16. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

As indicated above, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.6%.

No material adjustments have arisen for leases previously classified as finance leases.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

	1 January 2019 £000
Operating lease commitments disclosed as at 31 December 2018	45,567
Discounted using the lessee's incremental borrowing rate of at the date of initial application	37,518
Add finance lease liabilities recognised as at 31 December 2018	2
Less short-term leases recognised on a straight-line basis as expense	(1,651)
Less low-value leases recognised on a straight-line basis as expense	(160)
Add adjustments as a result of a different treatment of extension and termination options	6,669
Add adjustments relating to changes in the index or rate affecting variable	7
Lease liability recognised as at 1 January 2019	42,385
Current	8,331
Non-current	34,054

Measurement of right-of-use assets
The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019

	1 January 2019 £000
Property, plant and equipment – decrease by	(219)
Right-of-use assets – increase by	36,848
Prepayments – decrease by	(258)
Leasehold liabilities – increase by	38,044
The net impact on retained earnings on 1 January 2019 was	-

Directors’ Responsibility Statement

The Annual Report and Accounts comply with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority in respect of the requirement to produce an annual financial report. The responsibility statement below has been prepared in connection with the Company’s Annual Report, certain parts of which are not included within this announcement.

We confirm on behalf of the board that to the best of our knowledge:

- the Group financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial positions and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Annual Report and Accounts include a fair review of the development and performance of the business and the positions of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Ben Jackson
Chief Financial Officer

Appendix 1 – Non-IFRS Measures

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

Headline operating profit/profit before tax

Calculated as operating profit/profit before tax excluding highlighted items. Highlighted items comprise amortisation of intangible assets, acquisition and transaction related costs, remeasurement of deferred consideration and disposal related credits as well as imputed interest on deferred consideration and redemption liability. Both headline profit and IFRS profit measures are presented in the income statement. An analysis of highlighted items is presented in Note 5.

Margin

Headline operating profit as a percentage of revenue.

Headline basic and diluted EPS

Headline basic EPS is calculated using profit for the period before highlighted items dividend by weighted average dilutive number of shares excluding the dilutive impact of deferred contingent consideration. Headline diluted EPS is the same calculation but takes into account the impact of share options in issue and deferred consideration that could be settled in shares. Details of the underlying inputs to headline and IFRS measures of EPS are included in Note 9.

Net debt

Net debt is the total of current and non-current borrowings and derivative financial instruments, less cash and cash equivalents and lease liabilities under IFRS 16. The Group uses this as a measure of indebtedness.

Cash conversion

Cash conversion is the net cash inflow from operations before highlighted items and after lease payments expressed as a percentage of adjusted operating profit less lease interest and provides an understanding of how much profit the Group has converted to cash.

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

Effective tax rate

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

Like-for-like

Like-for-like results are stated at constant exchange rates and excluding the effect of acquisitions and business closures. Constant currency results are calculated by translating prior period foreign currency results using the current period exchange rate. This provides insight into the organic growth of the business. A reconciliation of the material adjustments made between IFRS revenues and operating profit and like-for-like results (including the effect of IFRS16) are included in the table below:

Revenue

Year ended 31 December 2019	**Marketing £000**	**Medical £000**	**Immersive £000**	**Communications £000**	**Total Group £000**
Segmental revenue (Note 4)	108,324	45,128	37,846	73,556	264,854
Business closures	–	–	–	(1,452)	(1,452)
Acquisitions	(21,330)	(6,945)	–	–	(28,275)
Like-for-like revenue	86,994	38,183	37,846	72,104	235,127

Year ended 31 December 2018	Marketing £000	Medical £000	Immersive £000	Communications £000	Total Group £000
Segmental revenue (Note 4)	82,000	34,162	35,423	73,371	224,956
Constant exchange rates	3,059	1,040	347	460	4,906
Business closures	(121)	–	–	(3,997)	(4,118)
Like-for-like revenue	84,938	35,202	35,770	69,834	225,744

Appendix 1 – Non-IFRS Measures continued

Like-for-like continued
Operating profit before highlighted items

Year ended 31 December 2019	**Marketing £000**	**Medical £000**	**Immersive £000**	**Communications £000**	**Unallocated £000**	**Total Group £000**
Segmental operating profit (Note 4)	24,209	13,298	4,298	8,286	–	50,091
Unallocated costs	–	–	–	–	(5,592)	(5,592)
Share of profit from associate	–	–	–	–	300	300
Foreign exchange	58	(37)	79	195	(172)	123
IFRS16 Incremental impact	(609)	(146)	153	(692)	23	(1,271)
Acquisitions	(3,528)	(2,984)	–	–	–	(6,512)
Business closures	–	–	–	81	–	81
Like-for-like operating profit before highlighted items	20,130	10,131	4,530	7,870	(5,441)	37,220

Year ended 31 December 2018	Marketing £000	Medical £000	Immersive £000	Communications £000	Unallocated £000	Total Group £000
Segmental operating profit (Note 4)	20,012	9,774	5,117	5,989	–	40,892
Unallocated costs	–	–	–	–	(7,965)	(7,965)
Share of profit from associate	–	–	–	–	267	267
Foreign exchange	19	(12)	155	144	1,127	1,433
Constant exchange rates	565	250	29	59	(28)	875
Business closures	(46)	–	–	223	–	177
Like-for-like operating profit before highlighted items	20,550	10,012	5,301	6,415	(6,599)	35,679

Cash Conversion

	2019 £000	2018 £000
Cash inflow from operations	**55,213**	22,100
Cash outflow from highlighted items	**4,785**	1,349
Repayment of lease liabilities	**(9,409)**	(1)
Adjusted operating cashflow	**50,589**	23,448

	2019 £000	2018 £000
Operating profit before highlighted items	**44,799**	33,194
IFRS 16 Lease Interest	**(2,201)**	–
Operating profit including property charges	**42,598**	33,194

Turnover

	2019 £000	2018 £000
Revenue	**264,854**	224,956
Cost of Sales	**140,134**	127,499
Turnover	**404,988**	352,455