

# HUNTSWORTH

## Huntsworth plc

### Interim results for the six months to 30 June 2018

Huntsworth plc, the healthcare and communications group, today announces its interim results for the six months to 30 June 2018.

#### Highlights

- Strong growth in profits. Headline<sup>1</sup> profit before tax up 9% to £11.0m (H1 2017: £10.0m)
- Strong growth in Healthcare from Medical and Immersive divisions
- Acquisition of two agencies in the Marketing division adding key additional capabilities
  - AboveNation Media LLC
  - Giant Creative Strategy LLC acquired post-period end
- Interim dividend increased by 27% to 0.7p (H1 2017: 0.55p)

#### Financial highlights

	30 June 2018	30 June 2017	
Revenue	£102.2m	£94.2m	+8%
Profit before tax	£10.3m	£9.2m	+13%
Basic & diluted EPS	2.3p	1.6p	+44%
Headline operating profit <sup>1</sup>	£11.8m	£11.0m	+8%
Headline profit before tax <sup>1</sup>	£11.0m	£10.0m	+9%
Headline basic & diluted EPS <sup>1</sup>	2.60p	2.35p	+11%
Dividend per share	0.7p	0.55p	+27%
Net debt	£38.9m	£26.8m	

Paul Taaffe, CEO of Huntsworth plc, commented:

*“Huntsworth has made strong progress in positioning itself within the healthcare market and meeting the changing needs of clients following the successful acquisition of Giant Creative Strategy LLC, as well as the integration of The Creative Engagement Group and AboveNation Media LLC and further investments in all the Healthcare divisions. Amid tough comparatives, the Group has performed well with strong growth in headline profit before tax. We are well positioned for further growth in the second half and into 2019.”*

#### Notes:

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

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## Chief Executive's Statement

### Group overview

The group has continued to make good progress in the first half of the year, despite some tough comparatives in the Marketing division, and has seen further very strong organic growth in the Medical and Immersive divisions.

Revenues for the first half of 2018 were £102.2 million (2017: £94.2 million), an increase of 8.5% compared to the prior year. Profit before tax and highlighted items was £11.0 million (2017: £10.0 million), an increase of 9.4% compared to the prior year and 13.5% on a like-for-like basis<sup>2</sup>.

Our focus for growth and investment remains our three Healthcare-focused divisions. Healthcare continues to be a fast-growing sector as clients seek a more differentiated and increasingly digital offering for their medical and marketing communications. To further support this we added two agencies to the Marketing division this year, both adding key new capabilities as we seek to create a full service offering for post-approval medicines. In February, we bought AboveNation Media LLC ('AboveNation'), a specialist media buying agency, for an initial consideration of £1.1 million. On 16 July 2018, we purchased San Francisco-based Giant Creative Strategy LLC ('Giant') for an initial consideration of £55.0 million. Giant is the leading west-coast healthcare professional and consumer marketing agency and adds considerable strength to the Group's offering, plus a roster of new clients. When combined with the existing Marketing division this will facilitate larger client opportunities.

As previously outlined, we have continued to focus on rightsizing the operations within the Communications division which led to a natural revenue decline of 5.4%, and we are now seeing improvements in a number of agencies led by Graying UK and Citigate Dewe Rogerson UK & Asia. We have continued to account for a number of restructuring costs within our operating profit which should lead to a stronger performance in the second half of the year and beyond.

Seasonal timings and a change in client mix affected the Group's cash flow during the period, with a net operating outflow of £1.7 million before highlighted items (2017: £6.4 million inflow), which will naturally unwind over the course of the year. Net debt at 30 June 2018 was £38.9 million (2017: £26.8 million) equivalent to 1.3x EBITDA. Net debt after the acquisition of Giant is £95 million, equivalent to 2.5x EBITDA.

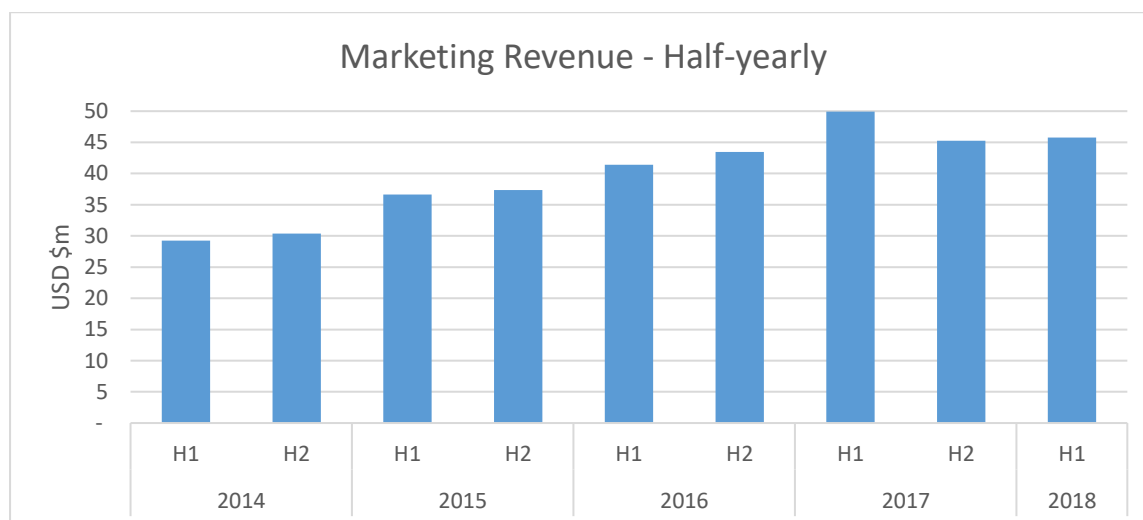
### Notes:

2. Like-for-like revenues 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.

**Divisional overview**

**Marketing**

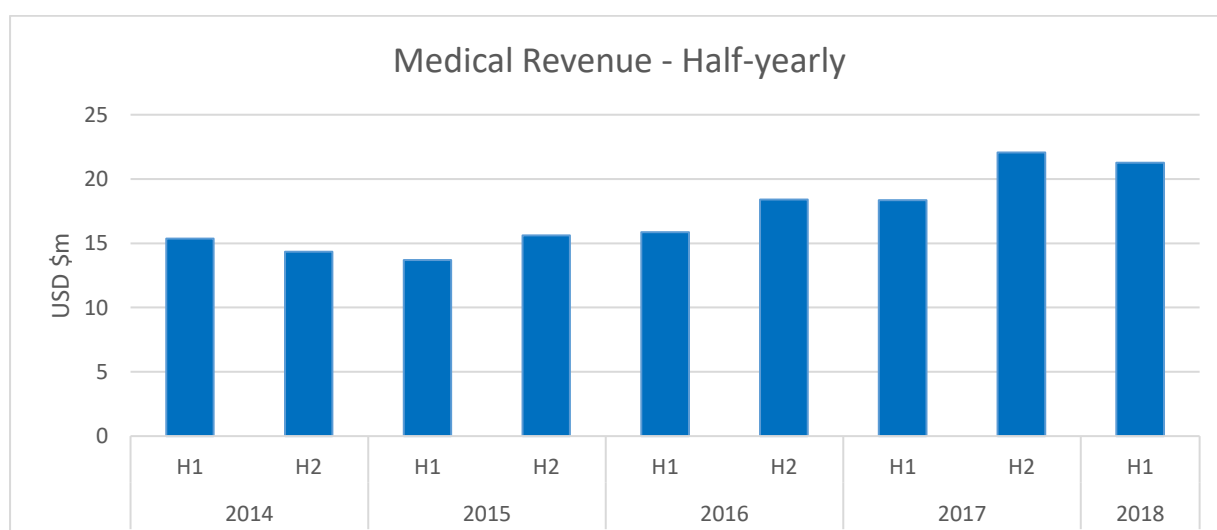
First half-year 2018 revenues are set against tough comparatives, as illustrated below, and fell by 8.5% on a like-for-like basis to £33.3 million, although the division delivered an improved operating margin of 22.1% (H1 2017 20.0%). On a sequential basis (against H2 2017), revenues grew by 1.1%.



The fall in revenues reflects a mix of delayed client project expenditure and the loss of certain drug mandates due to regulation and competition. As the comparatives ease in the second half of the year, we expect to see a return to good growth.

**Medical**

The Medical division, led by ApotheCom, continued to perform very strongly, building on new client mandates won in late 2017. Revenues grew by 16.0% on a like-for-like basis, although lower on a sequential basis, as H2 is traditionally the stronger half of the year. Despite increased investment in staff, margin improved to 23.1% (2017: 19.0%). With a strong pipeline of new opportunities and recent mandate wins we anticipate further good growth in H2, albeit at a lower rate than H1 as H2 2017 presents a very strong comparative as illustrated below.



## Chief Executive's Statement continued

### **Immersive**

The Immersive division, led by The Creative Engagement Group, which joined Huntsworth in July 2017, has performed very strongly in the first six months of the year, with revenue up by 11.1% on the equivalent period (when TCEG was under previous ownership) as it continues to expand its offering to Healthcare clients in particular. The division has continued to invest in staff, boosting its US and internal communications strength. Margin continues to improve as it delivers higher value work and realises economies of scale. The outlook for the second half of the year remains positive and we expect further good progress.

### **Communications**

As planned, revenue in the Communications division fell by 5.4% on a like-for-like basis against the same period last year, led largely by declines at Grayling following the elimination of unprofitable client contracts. Operating profit of £2.7 million is £0.6 million lower than the same period last year but this includes some further restructuring costs which will support improved profitability in H2 and beyond.

Grayling revenues fell by 7% on a like-for-like basis, to £19.1 million, resulting in a loss for the period of £0.3 million (H1 2017: profit of £0.4 million). This performance is largely the result of a decline in profitability in Grayling Europe, one-off contract profits in the Middle East last year, and a number of restructuring costs of c. £0.4 million accounted for in the period, which offset improvements in profitability in the UK and the USA. Action has been taken in Europe and we anticipate the second half of the year to be significantly more profitable than the same period in 2017.

Red's revenue declined by 6% on a like-for-like basis in the period, which was expected following the loss via a procurement-led process of its largest client in H2 2017. Good client wins since have underpinned the business, although they do come with some working capital costs, and we anticipate a return to growth in 2019. Margins continue to hold at 20%.

Citigate Dewe Rogerson has performed well during the period with revenues broadly flat to the prior period at £10.7 million but profitability sharply improving by 26% to £1.7 million. Margin has increased to 16.2% (H1 2017 13.0%) due to the impact of last year's restructuring and the focus on more profitable clients. All business units made progress against the prior year with the exception of the Netherlands where the transaction environment was softer than last year.

### **Dividend**

Given the underlying strength of the Group's H1 performance and the outlook for the remainder of the year, together with the anticipated contribution from the newly acquired businesses, the interim dividend is being raised by 27% to 0.7p (H1 2017: 0.55p), this will be paid on 6 November 2018.

### **Board update**

Following the announcement of Derek Mapp's intention to step down as Chairman, the Group has engaged an Executive Search firm to find a suitable replacement. The search is underway and we will update further once this process is concluded.

## Chief Executive's Statement continued

### **Group outlook**

We expect to see a good performance across the Group in the second half of the year, which will be further enhanced by the first-time inclusion of Giant. This period will see the Group focus on the successful integration of this agency and an improvement in profitability in the Communications division.

The Group continues to have an active pipeline of small-scale M&A opportunities that it will monitor into the second half of the year. The balance sheet remains strong as it heads into the stronger cash-generating second half of the year. The Board remains confident in the full year outcome and the longer-term prospects of the Group.

Nothing in this announcement should be construed as a profit forecast.

## Review of Financial Results

### Summary of financial results for the six months ended 30 June 2018

	2018	Like-for-like growth	2017
6 months ended 30 June	£m	%	£m
<b>Revenue</b>			
Marketing	33.3	(8.5)%	39.5
Medical	15.6	16.0%	14.3
Immersive	17.0	11.1% *	1.6
Communications	36.3	(5.4)%	38.8
<b>Total revenue</b>	<b>102.2</b>	<b>(3.4)%</b>	<b>94.2</b>

	2018	Margin	2017	Margin
6 months ended 30 June	£m	%	£m	%
<b>Operating profit</b>				
Marketing	7.4	22.1%	7.9	20.0%
Medical	3.6	23.1%	2.7	19.0%
Immersive	2.3	13.8%	0.0	1.2%
Communications	2.7	7.4%	3.3	8.4%
Total operations	16.0	15.6%	13.9	14.7%
Central costs	(4.3)		(3.0)	
Associates	0.1		0.1	
<b>Operating profit before highlighted items</b>	<b>11.8</b>	<b>11.6%</b>	<b>11.0</b>	<b>11.7%</b>
Highlighted items (Note 4)	(0.6)		(0.9)	
<b>Reported operating profit</b>	<b>11.2</b>		<b>10.1</b>	
Adjusted basic & diluted EPS	2.6p		2.4p	
Reported basic & diluted EPS	2.3p		1.6p	

\* Like-for-like growth in Immersive has been adjusted to include pre-acquisition TCEG results

### Revenue and profit before highlighted items

Revenue in the six months to 30 June 2018 increased by £8.0 million to £102.2 million (H1 2017: £94.2 million).

On a like-for-like basis, revenues increased by 16.0% in Medical and 11.1% in Immersive, however they declined by 8.5% in Marketing and 5.4% in Communications.

Despite declining revenues, group operating margins remained stable. This primarily reflects strong growth from Medical as well as good cost control in Marketing, despite revenue declining against tough comparatives.

## Review of Financial Results continued

### Highlighted items

Highlighted items in the first half of 2018 related primarily to £1.1 million amortisation of acquired intangible assets (H1 2017: £0.4 million) and a disposal related credit of £0.6 million with respect to Whiteboard Advisors, LLC which was sold in 2017 (H1 2017: charge £0.1 million).

After highlighted items, the statutory reported operating profit was £11.2 million (H1 2017: £10.1 million).

### Currency

The impact of changes in exchange rates against H1 2017 was to decrease revenues by £4.4 million and decrease headline profit before tax by £2.5 million, which includes £1.7 million of incremental losses on hedging instruments.

The £2.5 million includes losses on hedging instruments of £0.8 million (H1 2017: gain of £0.9 million) of which £0.5 million relates to forward contracts maturing in H2 2018. Although USD weakened H1 2017 to H1 2018, it strengthened between 31 December 2017 and 30 June 2018 resulting in a credit of £1.5 million to Other Comprehensive Income and Expense arising from the retranslation of the Group's overseas assets.

### Tax

The total tax charge of £2.6 million comprises a tax charge of £2.2 million on underlying earnings and £0.4 million on highlighted items. The pre-highlighted tax expense of £2.2 million is based on the expected full year tax rate of 20% (year ended 31 December 2017: 21%), with the fall in the rate being mainly attributed to the reduction in the US federal tax rate.

### Earnings per share

Profits attributable to ordinary shareholders before highlighted items were £8.7 million (H1 2017: £7.8 million). Adjusted basic and diluted earnings per share increased to 2.6 pence (H1 2017: 2.4 pence).

Profits attributable to ordinary shareholders after highlighted items were £7.6 million (H1 2017: £5.3 million), resulting in an increase in basic and diluted earnings per share to 2.3 pence (H1 2017: 1.6 pence).

### Dividends

The interim dividend is being raised by 27% to 0.7 pence (H1 2017: 0.55 pence). The record date for this dividend will be 28 September 2018 and it is payable on 6 November 2018. A scrip dividend alternative will be available.



## Review of Financial Results continued

### Balance sheet and cash flow

Cash outflow from operations totalled to £1.7 million (H1 2017: inflow of £6.4 million), before highlighted cash outflows of £0.5 million (H1 2017: £1.3 million). Other principal cashflows during the period were net payments for interest, tax and non-current assets of £4.2 million (H1 2017: £3.1 million), offset by proceeds of £1.2 million received for businesses disposed of in 2017 and the net cash inflow arising on the acquisition of AboveNation of £2.6 million.

Net debt at 30 June 2018 was £38.9 million (30 June 2017: £26.8 million; 31 December 2017: £36.3 million) which is within the Group's available facilities. Financial covenants based on the Group's facility agreements continue to be comfortably met.

On 12 July 2018, the Group exercised £30 million of its £40 million accordion facility. As a result, the Group has available a £105 million multi-currency revolving credit facility with a £10 million accordion option, committed until September 2021, together with a £5 million uncommitted overdraft.

### Key risks and uncertainties

The Directors monitor the risks that the Group is exposed to and the risk management processes and internal controls in place to mitigate these risks. Our risk management approach is led by the Risk Committee and is designed to identify risks to the Group using both a bottom-up and top-down approach.

The Directors have considered whether the nature or level of risk that the Group is exposed to has changed significantly in the first half of 2018 and have concluded that the risk profile is largely unchanged. The Directors continue to review risk levels and will act to mitigate any increased risks accordingly.

As described more fully on pages 26 to 31 of the 2017 Annual Report and Accounts, the Group's principal risks and uncertainties are identified as:

- economic downturn – this can result in fewer new client mandates, longer procurement processes, pricing pressures and an increased risk of bad debt;
- political instability – changes in the political landscape of countries the Group operate in may impact on our ability to operate, for example through licensing or regulatory changes;
- currency risk – this can cause earnings to fluctuate, particularly as a substantial proportion of the Group operates in the US and Europe;
- over-reliance on the Health sector – by focusing on the Health sector, the Group exposes itself to a single sector, and as such can be materially affected by fluctuations in this market;
- service offering fails to evolve to meet changing market needs – failure to evolve can result in loss of market share, client losses and pressures on pricing;
- investment decisions fail to deliver expected growth – investments may be less financially beneficial than anticipated;
- loss of key clients – this would directly impact revenue, profits and potentially the ability to recover amounts due under the contract;
- loss of key talent – key individuals maintain client relationships and service quality;
- poor profitability – overservicing or underpricing on new and / or existing client contracts would decrease profits, even if revenues were increasing;
- information systems access and security – breaches could compromise operations and the Group's reputation;
- unethical business practices – such practices would cause reputational damage to the Group;

## Review of Financial Results continued

- loan facility and covenant headroom risk – resulting in reputational damage and/or impairing the Group’s ability to make future acquisitions or settle existing obligations;
- legal and regulatory compliance – potentially giving rise to reputational and/or financial damage.

The Group has a number of ongoing processes to identify, evaluate and manage the key financial, operating and compliance risks faced by the Group and for determining the appropriate course of action to manage and mitigate those risks. The Board delegates the monitoring of these internal control and risk management processes to the Audit Committee, and in turn to the Risk Committee. Further details of the risk management processes undertaken are included on page 42 to 43 of the 2017 Annual Report and Accounts.

### **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.

# Condensed Consolidated Income Statement

for the six months ended 30 June 2018

	Notes	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
Turnover		159,601	111,949	259,797
<b>Revenue</b>	3	102,184	94,200	196,976
Operating expenses		(91,131)	(84,178)	(172,237)
Share of profit from associate		117	99	167
<b>Operating profit</b>	3	11,170	10,121	24,906
Finance income	5	11	3	5
Finance costs	5	(842)	(941)	(1,977)
<b>Profit before tax</b>		10,339	9,183	22,934
Comprising:				
Profit before tax and highlighted items	4	10,982	10,039	24,401
Highlighted items	4	(643)	(856)	(1,467)
		10,339	9,183	22,934
Taxation expense	6	(2,624)	(3,882)	(7,269)
<b>Profit for the period</b>		7,715	5,301	15,665
<b>Attributable to:</b>				
Parent Company's equity shareholders		7,628	5,301	15,665
Non-controlling interests		87	-	-
<b>Profit for the period</b>		7,715	5,301	15,665
<b>Profit per share</b>				
<b>Basic – pence</b>	8	2.3	1.6	4.8
<b>Diluted – pence</b>	8	2.3	1.6	4.7

# Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2018

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
<b>Profit for the period</b>	<b>7,715</b>	5,301	15,665
<b>Other comprehensive income and expense</b>			
<i>Items that may be reclassified subsequently to the Income Statement</i>			
Currency translation differences	1,520	(3,607)	(8,242)
Tax credit on currency translation differences	170	53	418
Amounts recognised in the Income Statement on interest rate swaps	103	128	248
Movement in valuation of interest rate swaps	(155)	41	56
Tax credit/(expense) on interest rate swaps	10	(32)	(57)
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>1,648</b>	(3,417)	(7,577)
<b>Other comprehensive income and expense for the period</b>	<b>1,648</b>	(3,417)	(7,577)
<b>Total comprehensive income and expense for the period</b>	<b>9,363</b>	1,884	8,088
<b>Attributable to:</b>			
Parent Company's equity shareholders	9,276	1,884	8,088
Non-controlling interests	87	-	-
<b>Total comprehensive income and expense for the period</b>	<b>9,363</b>	1,884	8,088

# Condensed Consolidated Balance Sheet

as at 30 June 2018

	Notes	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
<b>Non-current assets</b>				
Intangible assets	9	185,421	155,962	181,228
Property, plant and equipment		9,707	10,470	10,180
Investment in associate	10	329	281	212
Other receivables		2,252	717	2,339
Deferred tax assets		273	1,462	32
		<b>197,982</b>	<b>168,892</b>	<b>193,991</b>
<b>Current assets</b>				
Work in progress		12,655	7,360	9,327
Trade and other receivables		81,766	62,764	66,372
Current tax receivable		427	526	613
Derivative financial assets	11	–	495	–
Cash and short-term deposits	14	11,638	36,656	10,054
		<b>106,486</b>	<b>107,801</b>	<b>86,366</b>
<b>Current liabilities</b>				
Obligations under finance leases		(2)	(2)	(2)
Bank overdraft		(514)	(110)	(399)
Trade and other payables		(78,038)	(55,285)	(67,565)
Derivative financial liabilities	11	(529)	(232)	(170)
Current tax payable		(993)	(1,542)	(1,508)
Provisions	13	(1,059)	(521)	(559)
		<b>(81,135)</b>	<b>(57,692)</b>	<b>(70,203)</b>
<b>Non-current liabilities</b>				
Bank loans	12	(49,241)	(63,519)	(45,686)
Obligations under finance leases		(1)	(3)	(2)
Trade and other payables		(3,738)	(2,917)	(2,978)
Derivative financial liabilities	11	(273)	(124)	(51)
Deferred tax liabilities		(2,850)	(199)	(2,691)
Provisions	13	(4,621)	(1,292)	(1,345)
		<b>(60,724)</b>	<b>(68,054)</b>	<b>(52,753)</b>
<b>Net assets</b>				
		<b>162,609</b>	<b>150,947</b>	<b>157,401</b>
<b>Equity</b>				
Called up share capital		107,203	107,188	107,203
Share premium account		63,843	62,926	63,843
Merger reserve		29,468	29,468	29,468
Foreign currency translation reserve		37,282	40,397	35,762
Hedging reserve		(273)	(356)	(221)
Put option reserve		(1,877)	–	–
Treasury shares		(1,166)	(1,166)	(1,166)
Investment in own shares held in the Employee Benefit Trusts		(1,086)	(1,764)	(1,658)
Retained earnings		(71,920)	(85,746)	(75,830)
<b>Equity attributable to equity holders of the parent</b>		<b>161,474</b>	<b>150,947</b>	<b>157,401</b>
Non-controlling interest		1,135	–	–
<b>Total equity</b>		<b>162,609</b>	<b>150,947</b>	<b>157,401</b>

# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2018

	Notes	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
<b>Cash (outflow)/inflow from operating activities</b>				
Cash (outflow)/inflow from operations	14(a)	(2,106)	5,106	27,497
Interest paid		(709)	(566)	(1,284)
Interest received		11	3	5
Cash flows on derivative financial instruments		(162)	(128)	(248)
Net tax paid		(2,271)	(1,352)	(3,347)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(5,237)</b>	<b>3,063</b>	<b>22,623</b>
<b>Cash inflow/(outflow) from investing activities</b>				
Acquisition of subsidiary – cash paid		(1,103)	–	(24,978)
Cash acquired through acquisition		3,738	–	2,227
Proceeds from sale of businesses, net of cash disposed		1,183	2,375	2,413
Cost of internally developed intangible assets		(202)	(180)	(287)
Purchases of property, plant and equipment		(1,001)	(887)	(1,643)
Proceeds from sale of property, plant and equipment		49	–	16
Dividends received from associates		–	–	137
<b>Net cash inflow/(outflow) from investing activities</b>		<b>2,664</b>	<b>1,308</b>	<b>(22,115)</b>
<b>Cash inflow/(outflow) from financing activities</b>				
Proceeds from sale of own shares to settle share options		303	–	115
Repayment of finance lease liabilities		(1)	(1)	(2)
Net drawdown of borrowings		3,424	17,975	–
Dividends paid to equity holders of the parent		–	–	(4,946)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3,726</b>	<b>17,974</b>	<b>(4,833)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>1,153</b>	<b>22,345</b>	<b>(4,325)</b>
<b>Movements in cash and cash equivalents</b>				
Increase/(decrease) in cash and cash equivalents		1,153	22,345	(4,325)
Effects of exchange rate fluctuations on cash held		316	(282)	(503)
Cash and cash equivalents at 1 January		9,655	14,483	14,483
<b>Cash and cash equivalents at end of period</b>	14(b)	<b>11,124</b>	<b>36,546</b>	<b>9,655</b>

# Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Put option reserve £000	Treasury shares £000	Investment in own shares £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total Equity £000
<b>At 1 January 2017 (audited)</b>	<b>107,188</b>	<b>62,926</b>	<b>29,468</b>	<b>44,004</b>	<b>(525)</b>	–	<b>(1,166)</b>	<b>(1,764)</b>	<b>(87,816)</b>	<b>152,315</b>	–	<b>152,315</b>
Profit for the period	–	–	–	–	–	–	–	–	5,301	5,301	–	5,301
Other comprehensive income/(expense)	–	–	–	(3,607)	169	–	–	–	21	(3,417)	–	(3,417)
<b>Total comprehensive income/(expense)</b>	–	–	–	<b>(3,607)</b>	<b>169</b>	–	–	–	<b>5,322</b>	<b>1,884</b>	–	<b>1,884</b>
Charge for share-based payments	–	–	–	–	–	–	–	–	655	655	–	655
Tax on share-based payments	–	–	–	–	–	–	–	–	171	171	–	171
Equity dividends	–	–	–	–	–	–	–	–	(4,078)	(4,078)	–	(4,078)
<b>At 30 June 2017 (unaudited)</b>	<b>107,188</b>	<b>62,926</b>	<b>29,468</b>	<b>40,397</b>	<b>(356)</b>	–	<b>(1,166)</b>	<b>(1,764)</b>	<b>(85,746)</b>	<b>150,947</b>	–	<b>150,947</b>
Profit for the period	–	–	–	–	–	–	–	–	10,364	10,364	–	10,364
Other comprehensive income/(expense)	–	–	–	(4,635)	135	–	–	–	340	(4,160)	–	(4,160)
<b>Total comprehensive (expense)/income</b>	–	–	–	<b>(4,635)</b>	<b>135</b>	–	–	–	<b>10,704</b>	<b>6,204</b>	–	<b>6,204</b>
Settlement of share options	–	–	–	–	–	–	–	106	9	115	–	115
Share issue costs	–	(16)	–	–	–	–	–	–	–	(16)	–	(16)
Charge for share-based payments	–	–	–	–	–	–	–	–	634	634	–	634
Tax on share-based payments	–	–	–	–	–	–	–	–	369	369	–	369
Scrip dividends	15	933	–	–	–	–	–	–	–	948	–	948
Equity dividends	–	–	–	–	–	–	–	–	(1,800)	(1,800)	–	(1,800)
<b>At 31 December 2017 (audited)</b>	<b>107,203</b>	<b>63,843</b>	<b>29,468</b>	<b>35,762</b>	<b>(221)</b>	–	<b>(1,166)</b>	<b>(1,658)</b>	<b>(75,830)</b>	<b>157,401</b>	–	<b>157,401</b>
Profit for the period	–	–	–	–	–	–	–	–	7,628	7,628	87	7,715
Other comprehensive income/(expense)	–	–	–	1,520	(52)	–	–	–	180	1,648	–	1,648
<b>Total comprehensive (expense)/income</b>	–	–	–	<b>1,520</b>	<b>(52)</b>	–	–	–	<b>7,808</b>	<b>9,276</b>	<b>87</b>	<b>9,363</b>
Charge for share-based payments	–	–	–	–	–	–	–	–	704	704	–	704
Tax on share-based payments	–	–	–	–	–	–	–	–	428	428	–	428
Settlement of share options	–	–	–	–	–	–	–	572	(269)	303	–	303
Acquisition of subsidiaries	–	–	–	–	–	(1,877)	–	–	–	(1,877)	1,048	(829)
Equity dividends	–	–	–	–	–	–	–	–	(4,761)	(4,761)	–	(4,761)
<b>At 30 June 2018 (unaudited)</b>	<b>107,203</b>	<b>63,843</b>	<b>29,468</b>	<b>37,282</b>	<b>(273)</b>	<b>(1,877)</b>	<b>(1,166)</b>	<b>(1,086)</b>	<b>(71,920)</b>	<b>161,474</b>	<b>1,135</b>	<b>162,609</b>

# Notes to the Financial Statements

## for the six months ended 30 June 2018

### 1. Basis of preparation

The condensed consolidated unaudited interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, IAS 34 "Interim Financial Reporting" and the Group's accounting policies.

The Group's accounting policies are in accordance with International Financial Reporting Standards as adopted by the European Union and are set out in the Group's Annual Report and Accounts 2017 on pages 77 - 82, except as noted below. These are consistent with the accounting policies which the Group expects to adopt in its 2018 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 2018 and 30 June 2017 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 29 of this document. The comparative figures for the year ended 31 December 2017 have been extracted from the Group's Annual Report and Accounts 2017, 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 2017 have been filed with the Registrar of Companies.

### Changes in accounting policies

A number of new and amended IFRS's have been adopted, none of which had any significant impact on the Group's financial statements.

The adoption of *IFRS 15 Revenue from Contracts with Customers* has not resulted in significant changes to the revenue recognition policy applied to the consolidated financial statements for the year ended 31 December 2017. This is due to the nature of customer contracts entered into by the Group. No adjustments have been made to the 31 December 2017 balance sheet nor to opening retained earnings at 1 January 2018. Additional disclosures have been included to disaggregate revenue on a geographical basis (Note 3).

*IFRS 9 Financial Instruments* has similarly not resulted in any significant changes to the accounting policy for financial instruments applied to the 31 December 2017 financial statements.

The adoption of the standards, amendments and interpretations issued but not effective is not expected to have a material impact on the Group's financial statements. The Directors are in the process of evaluating the impact of IFRS 16, Leases.

### Going concern

After reviewing the Group's performance, future forecasted performance and cash flows, ability to draw down on its facilities and the covenant requirements of those facilities, and after considering the key risks and uncertainties set out on pages 9-10, 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.

### Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The acquisition in the period involved an earnout arrangement and option to purchase the remaining equity of the entity at a future date. The amount payable under both the earn-out and equity option is contingent on future performance and has resulted in a deferred contingent consideration and a redemption liability being recognised. Judgement is required in estimating the future performance of the acquired entity.

Other than mentioned above the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.



## Notes to the Financial Statements continued

### for the six months ended 30 June 2018

#### 2. Acquisition of AboveNation

On 22 February 2018, the Group acquired 75% of the issued share capital of AboveNation Media, LLC (AboveNation). Acquisition accounting has been performed in accordance with IFRS 3 (revised) Business Combinations.

AboveNation has contributed £0.8 million to revenue and £0.3 million to profit before tax for the period between the date of acquisition and 30 June 2018. If the acquisition of AboveNation had been completed on the first day of the financial year, Group revenues for the period would have been £102.4 million and Group operating profit would have been £11.3 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	1,681
Trade and other receivables	5,568
Cash and cash equivalents	3,738
Trade and other payables	(9,451)
	1,536
Non-controlling interest	(1,048)
Net assets acquired	488
Provisional goodwill arising on acquisition	2,466
Total cost of acquisition	2,954
Discharged by:	
Cash consideration	1,103
Deferred contingent consideration	1,851
Total consideration	2,954
Net cash inflow arising on acquisition:	
Cash consideration	1,103
Cash and cash equivalents acquired	(3,738)
	(2,635)

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

Acquisition related costs of £33,000 were incurred and these are included within highlighted items in the Consolidated Income Statement. AboveNation forms part of the Marketing Operating Segment.

A simultaneous put/call options exists over the remaining 25% equity interest.

## Notes to the Financial Statements continued

### for the six months ended 30 June 2018

#### 3. Segmental analysis

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

During 2017, there was a reorganisation of the Group's operating segments. Huntsworth Health was split into 3 segments – Medical, Marketing and Immersive. Grayling, Citigate Dewe Rogerson ("CDR") and Red have been combined into one operating segment, Communications.

These revised segments 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. 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.

	Marketing	Medical	Immersive	Communications	Total
6 months to 30 June 2018	£000	£000	£000	£000	£000
USA	29,286	10,642	3,895	2,461	46,284
UK	3,899	4,919	13,074	17,255	39,147
Europe	-	-	-	11,825	11,825
Rest of World	139	-	-	4,789	4,928
<b>Segment revenue</b>	<b>33,324</b>	<b>15,561</b>	<b>16,969</b>	<b>36,330</b>	<b>102,184</b>
<b>Segment operating profit before highlighted items</b>	<b>7,359</b>	<b>3,587</b>	<b>2,342</b>	<b>2,689</b>	<b>15,977</b>

	Marketing	Medical	Immersive	Communications	Total
6 months to 30 June 2017	£000	£000	£000	£000	£000
USA	36,439	10,298	1,581	3,923	52,241
UK	2,733	3,957	-	17,333	24,023
Europe	-	-	-	12,749	12,749
Rest of World	336	-	-	4,851	5,187
<b>Segment revenue</b>	<b>39,508</b>	<b>14,255</b>	<b>1,581</b>	<b>38,856</b>	<b>94,200</b>
<b>Segment operating profit before highlighted items</b>	<b>7,905</b>	<b>2,707</b>	<b>19</b>	<b>3,250</b>	<b>13,881</b>

	Marketing	Medical	Immersive	Communications	Total
Year ended 31 December 2017	£000	£000	£000	£000	£000
USA	66,829	22,034	4,000	7,087	99,950
UK	6,212	8,841	10,949	34,829	60,831
Europe	-	-	-	25,343	25,343
Rest of World	499	-	-	10,353	10,852
<b>Segment revenue</b>	<b>73,540</b>	<b>30,875</b>	<b>14,949</b>	<b>77,612</b>	<b>196,976</b>
<b>Segment operating profit before highlighted items</b>	<b>15,509</b>	<b>8,315</b>	<b>1,853</b>	<b>7,006</b>	<b>32,683</b>

## Notes to the Financial Statements continued

### for the six months ended 30 June 2018

#### 3. Segmental analysis continued

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

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

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
<b>Segment operating profit before highlighted items</b>	<b>15,977</b>	13,881	32,683
Unallocated costs	<b>(4,281)</b>	(3,003)	(6,477)
Share of profit from associate	<b>117</b>	99	167
<b>Operating profit before highlighted items</b>	<b>11,813</b>	10,977	26,373
Highlighted items	<b>(643)</b>	(856)	(1,467)
<b>Operating profit</b>	<b>11,170</b>	10,121	24,906
Net finance costs	<b>(831)</b>	(938)	(1,972)
<b>Profit before tax</b>	<b>10,339</b>	9,183	22,934

#### 4. Highlighted items

	Notes	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
Profit before tax		<b>10,339</b>	9,183	22,934
<b>Adjustments charged/(credited) to operating expenses:</b>				
Amortisation of acquired intangible assets	9	<b>1,058</b>	395	1,393
Disposal related (credit)/charge		<b>(562)</b>	102	(321)
Acquisition and transaction related charge		<b>147</b>	359	395
Total adjustments charged to operating expenses		<b>643</b>	856	1,467
<b>Adjusted profit before tax</b>		<b>10,982</b>	10,039	24,401

	Notes	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
<b>Charged to profit before tax</b>		<b>643</b>	856	1,467
Taxation expense on highlighted items	6	<b>428</b>	1,673	2,146
<b>Charged to profit for the period</b>		<b>1,071</b>	2,529	3,613

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.

# Notes to the Financial Statements continued

## for the six months ended 30 June 2018

### 4. Highlighted items continued

#### *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.

#### *Disposal related (credit)/charge*

Effective 1 January 2017 the Whiteboard Advisors business was sold for initial consideration of \$2.5million and a deferred element based on future performance. The profit of £0.6 million relates to remeasuring the receivable based on expected future performance and exchange rate fluctuations. These credits have been excluded from adjusted results as they do not relate to ongoing operations. The comparatives include amounts recycled from foreign currency translation reserves into profit and loss on other disposals.

#### *Acquisition and transaction related charge/(credit)*

Transaction costs are costs incurred in relation to business acquisitions and disposals. These costs are excluded from adjusted results as they are one-off in nature.

#### *Taxation*

The tax related to highlighted items is the tax effect of the items above.

### 5. Finance costs and income

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
Bank interest payable	842	935	1,949
Imputed interest on long term payables and provisions	-	6	28
Finance costs	842	941	1,977
Bank interest receivable	(6)	(1)	(3)
Other interest receivable	(5)	(2)	(2)
Finance income	(11)	(3)	(5)
<b>Net finance costs</b>	<b>831</b>	<b>938</b>	<b>1,972</b>

## Notes to the Financial Statements continued

### for the six months ended 30 June 2018

#### 6. Tax

The tax expense for the six months ended 30 June 2018 has been based on an estimated effective tax rate on profit before tax and highlighted items for the full year of 20.0% (year ended 31 December 2017: 21.0%). The tax expense is analysed as follows:

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
Total:			
Current tax	2,297	3,099	5,297
Deferred tax	327	783	1,972
<b>Total tax expense</b>	<b>2,624</b>	<b>3,882</b>	<b>7,269</b>

Comprising:			
Income tax expense on profit before tax and highlighted items	2,196	2,209	5,123
Income tax expense on highlighted items	428	1,673	2,146
	<b>2,624</b>	<b>3,882</b>	<b>7,269</b>

The UK Government has passed legislation to further reduce the main rate of corporation tax to 17% from 1 April 2020. The expected impact of the reduction in the UK rate is reflected in the closing deferred tax position.

The Group presents the adjusted effective tax rate to help users of this report better understand its tax charge. In arriving at this rate, the Group removes the tax effect of items which are adjusted for in arriving at the adjusted profit before income tax disclosed in note 4. The Group considers that the resulting adjusted effective tax rate is more representative of its tax payable position. In calculating the adjusted tax rate, the Group excludes the potential future impact of the deferred tax effects of intangible assets (other than internally generated and acquired computer software), as the Group prefers to give users of its accounts a view of the tax charge based on the current status of such items. Deferred tax would only ever crystallise on a sale of the relevant businesses, which is not anticipated at the current time, and such a sale, being an exceptional item, would result in an exceptional tax impact.

## Notes to the Financial Statements continued

### for the six months ended 30 June 2018

#### 7. Dividends

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
<b>Equity dividends on ordinary shares</b>			
Final dividend for the year ended 2016 – 1.25 pence	–	4,078	4,078
Interim dividend for the year ended 2017 – 0.55 pence	–	–	1,800
Final dividend for the year ended 2017 – 1.45 pence	<b>4,761</b>	–	–
<b>Total dividend expense</b>	<b>4,761</b>	4,078	5,878

The final dividend for the year ended 31 December 2017 of 1.45 pence per share was approved by shareholders at the Annual General Meeting on 24 May 2018 and was paid on 5 July 2018. This dividend is included in trade and other payables at 30 June 2018.

The 2018 interim dividend of 0.7 pence per share was approved by the Board on 19 July 2018. The dividend will be paid on 6 November 2018 to those shareholders on the register on 28 September 2018.

#### 8. Earnings per share

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
Basic earnings per share – pence	<b>2.3</b>	1.6	4.8
Diluted earnings per share – pence	<b>2.3</b>	1.6	4.7
Adjusted basic earnings per share – pence	<b>2.6</b>	2.4	5.9
Adjusted diluted earnings per share – pence	<b>2.6</b>	2.4	5.8

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

	Unaudited 6 months ended 30 June 2018		Unaudited 6 months ended 30 June 2017		Audited Year ended 31 December 2017	
	Earnings/(Loss) £000	Weighted aver- age number of shares 000's	Earnings/(Loss) £000	Weighted average number of shares 000's	Earnings/(Loss) £000	Weighted average number of shares 000's
Basic	<b>7,628</b>	<b>328,438</b>	5,301	326,248	15,665	326,827
Diluted	<b>7,628</b>	<b>334,043</b>	5,301	332,770	15,665	334,990
Adjusted basic	<b>8,699</b>	<b>328,438</b>	7,830	326,248	19,278	326,827
Adjusted diluted	<b>8,699</b>	<b>334,043</b>	7,830	332,770	19,278	334,990

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 that could be issued as part of contingent consideration on acquisition of subsidiaries.

## Notes to the Financial Statements continued

### for the six months ended 30 June 2018

#### 8. 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:

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
<b>Earnings:</b>			
Profit for the period attributable to the Parent Company's shareholders	<b>7,628</b>	5,301	15,665
Highlighted items (net of tax) attributable to the Parent Company's shareholders	<b>1,071</b>	2,529	3,613
<b>Adjusted earnings</b>	<b>8,699</b>	7,830	19,278

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
<b>Number of shares:</b>			
Weighted average number of ordinary shares – basic and adjusted basic	<b>328,438</b>	326,248	326,827
Effect of share options in issue	<b>4,958</b>	6,522	8,163
Effect of deferred contingent consideration	<b>647</b>	–	–
<b>Weighted average number of ordinary shares – diluted and adjusted diluted</b>	<b>334,043</b>	332,770	334,990

## Notes to the Financial Statements continued

### for the six months ended 30 June 2018

#### 9. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Software development costs £000	Total £000
<b>Cost</b>					
At 1 January 2018	28,386	41,813	345,568	4,762	420,529
Acquisitions	–	1,681	2,466	–	4,147
Capitalised development costs	–	–	–	202	202
Foreign exchange movement	98	348	1,293	47	1,786
<b>At 30 June 2018</b>	<b>28,484</b>	<b>43,842</b>	<b>349,327</b>	<b>5,011</b>	<b>426,664</b>
<b>Amortisation and impairment charges</b>					
At 1 January 2018	23,758	33,703	179,060	2,780	239,301
Charge for the period	379	679	–	152	1,210
Foreign exchange movement	94	263	349	26	732
<b>At 30 June 2018</b>	<b>24,231</b>	<b>34,645</b>	<b>179,409</b>	<b>2,958</b>	<b>241,243</b>
<b>Net book value at 30 June 2018</b>	<b>4,253</b>	<b>9,197</b>	<b>169,918</b>	<b>2,053</b>	<b>185,421</b>
Net book value at 31 December 2017	4,628	8,110	166,508	1,982	181,228
Net book value at 30 June 2017	3,608	171	150,119	2,064	155,962

There are no indicators of impairment for any of the CGUs at 30 June 2018.

#### 10. Investment in associate

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2018:

	6 months ended 30 June 2018 £000
<b>Carrying amount</b>	
At 1 January 2018	<b>212</b>
Share of profit of associate	<b>117</b>
<b>At 30 June 2018</b>	<b>329</b>

#### 11. Financial risk management and financial instruments

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's Annual Financial Statements as at 31 December 2017. There have been no changes in the Group's risk management policies since the year end.

##### *Fair value measurement*

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

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



## Notes to the Financial Statements continued

### for the six months ended 30 June 2018

#### 11. Financial risk management and financial instruments continued

<b>At 30 June 2018</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial liabilities</b>				
Foreign exchange derivative	–	529	–	529
Interest rate swap	–	273	–	273
Deferred Consideration	–	–	1,948	1,948
Redemption Liability	–	–	1,877	1,877
	–	802	3,825	4,627

<b>At 30 June 2017</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial assets</b>				
Foreign exchange derivative	–	495	–	495
	–	495	–	495
<b>Financial liabilities</b>				
Interest rate swap	–	356	–	356
	–	356	–	356

<b>At 31 December 2017</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial liabilities</b>				
Interest rate swap	–	221	–	221
	–	221	–	221

#### *Valuation techniques used to derive Level 2 fair values*

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

#### *Valuation techniques used to derive Level 3 fair values*

Level 3 derivatives comprise deferred consideration and redemption liability. Deferred contingent consideration and redemption liabilities are valued using a discounted cash flow methodology. The liability is based on the acquired business' forecast average profits. The significant unobservable inputs to this valuation include forecast average profits.

#### *Fair values of other financial liabilities and assets*

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

#### **12. Bank loans and overdrafts**

Following an amend and extend of its banking facilities in February 2018, the Group had available during the period a £75 million multi-currency revolving credit facility with a £40 million accordion option, committed until September 2021, together with a £5 million uncommitted overdraft. After the period end, the Group exercised £30 million of its £40 million accordion facility. As a result, the Group has available a £105 million multi-currency revolving credit facility with a £10 million accordion option, committed until September 2021, together with a £5 million uncommitted overdraft.

## Notes to the Financial Statements continued

for the six months ended 30 June 2018

### 13. 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
Arising during the year	–	–	50	–	50
Acquisitions	1,783	1,851	–	–	3,634
Utilised	–	–	(100)	(6)	(106)
Foreign exchange movements	94	97	9	(2)	198
<b>At 30 June 2018</b>	<b>1,877</b>	<b>1,948</b>	<b>1,746</b>	<b>109</b>	<b>5,680</b>
<b>Current</b>	<b>–</b>	<b>861</b>	<b>89</b>	<b>109</b>	<b>1,059</b>
<b>Non-current</b>	<b>1,877</b>	<b>1,087</b>	<b>1,657</b>	<b>–</b>	<b>4,621</b>

#### *Redemption liability for acquisitions*

The redemption liability represents the put/call option over non-controlling interest arising on acquisitions.

#### *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.

#### *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 sublet 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 and onerous contract provisions arising on past business closures.

## Notes to the Financial Statements continued

### for the six months ended 30 June 2018

#### 14. Cash flow analysis

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

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
Operating profit	11,170	10,121	24,906
Share of profit from associate	(117)	(99)	(167)
Amortisation of intangible assets	1,210	537	1,685
Operating profit before non-cash highlighted items	12,263	10,559	26,424
Depreciation	1,529	1,423	2,992
Share option charge	704	655	1,289
(Profit)/loss on disposal of property, plant and equipment	(17)	3	(13)
Unrealised loss/(gain) on financial instruments	588	(649)	(154)
(Profit)/loss on disposal of subsidiaries and investments	(562)	102	(321)
Operating cash flow before movements in working capital	14,505	12,093	30,217
Increase in work in progress	(2,707)	(2,067)	(1,438)
Increase in debtors	(9,617)	(7,967)	(830)
(Decrease)/increase in creditors	(4,219)	4,426	1,325
Increase/(decrease) in provisions	(68)	(1,379)	(1,777)
<b>Net cash (outflow)/inflow from operations</b>	<b>(2,106)</b>	<b>5,106</b>	<b>27,497</b>
Cash flows from highlighted items	503	1,300	(2,328)
<b>Net cash (outflow)/inflow from operations before highlighted items</b>	<b>(1,603)</b>	<b>6,406</b>	<b>25,169</b>

## Notes to the Financial Statements continued

### for the six months ended 30 June 2018

#### 14. Cash flow analysis continued

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

	31 December 2017 £000	Cashflow	Acquisitions	Non-cash changes			30 June 2018 £000
				Amortisation	Fair value changes	Foreign exchange	
Cash and short-term deposits	10,054	(2,495)	3,738	–	–	341	<b>11,638</b>
Overdraft	(399)	(90)	–	–	–	(25)	<b>(514)</b>
Cash and cash equivalents	9,655	(2,585)	3,738	–	–	316	<b>11,124</b>
Bank loans	(45,686)	(3,424)	–	(131)	–	–	<b>(49,241)</b>
Derivative financial liabilities	(221)	162	–	–	(743)	–	<b>(802)</b>
Finance leases	(4)	1	–	–	–	–	<b>(3)</b>
Net debt	(36,256)	(5,846)	3,738	(131)	(743)	316	<b>(38,922)</b>

#### 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 Directors and executive officers. There were no material related party transactions other than the remuneration of key management personnel of £1.2 million in the six months ended 30 June 2018 (2017: £1.2 million).

#### 16. Post balance sheet events

After the period end, on 16 July 2018, the Group acquired c. 90% of the membership interests of Giant Creative Holdings LLC, a limited liability company and parent of Giant Creative Strategy LLC ('Giant'), for cash consideration of £55.0 million. Put and call options are held over the residual equity interest, exercisable from 2021, with the value of the options determined based on a multiple of Giant's earnings.

The financial effects of the above transaction have not been brought into account at 30 June 2018. The operating results and assets and liabilities of the Company will be brought into account from 16 July 2018. The fair value calculation of assets and liabilities is ongoing.

After the period end, the Group exercised £30 million of its £40 million accordion facility. As a result, the Group has available a £105 million multi-currency revolving credit facility with a £10 million accordion option, committed until September 2021, together with a £5 million uncommitted overdraft.

# Independent review report to Huntsworth plc

## Report on the consolidated interim financial statements

### Our conclusion

We have reviewed Huntsworth plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of Huntsworth plc for the 6 month period ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The interim financial statements comprise:

1. the Condensed Consolidated Balance Sheet as at 30 June 2018;
2. the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
3. the Condensed Consolidated Cash Flow Statement for the period then ended;
4. the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
5. the explanatory notes to the interim financial statements.

The interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What a review of interim financial statements involves

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, 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.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
24 July 2018

## Statement of Directors' Responsibilities

### for the six months ended 30 June 2018

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

- has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- includes a fair review of the information required by the Financial Conduct Authority's Disclosure and Transparency Rules ('DTR') 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

**Neil Jones**  
**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.

### **Turnover**

Turnover represents amounts received or receivable from clients, exclusive of value added tax, for the rendering of services and comprises charges for fees, commissions, rechargeable expenses incurred on behalf of clients and sales of marketing products.

### **Headline operating profit/profit before tax**

Calculated as operating profit/profit before tax excluding highlighted items. Highlighted items comprise amortisation of intangible assets, acquisition/transaction related costs and disposal related costs/credits.

Both headline profit and IFRS profit measures are presented in the income statement. An analysis of highlighted items is presented in Note 4.

### **Margin**

Headline operating profit as a percentage of revenue.

### **Headline basic and diluted EPS**

Headline basic EPS is calculated using profit for the period before highlighted items. Headline diluted EPS is the same calculation but takes into account the impact of share options in issue and deferred consideration that could be settled in shares. Details of the underlying inputs to headline and IFRS measures of EPS are included in Note 8.

### **Net debt**

Net debt is the total of current and non-current borrowings and derivative financial instruments, less cash and cash equivalents. The group uses this as a measure of indebtedness. An analysis of net debt is included in Note 14.

### **Highlighted cash flows**

Highlighted cash flows are the cash flows directly attributable to the items presented within highlighted items in the income statement. A reconciliation of the difference between cash flows before highlighted items and IFRS cash flows is included in Note 14.

### **Effective tax rate**

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

## Appendix 1: non-IFRS measures continued

### Like-for-like

Like-for-like results are stated at constant exchange rates and excluding the effect of acquisitions and disposals. 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 are included in the tables below:

Revenue 6 months ended 30 June 2018	Marketing	Medical	Immersive	Communications	Total Group
	£000	£000	£000	£000	£000
Segmental revenue (Note 3)	33,324	15,561	16,969	36,330	102,184
Acquisitions	(779)	–	(15,529)	–	(16,308)
Like-for-like revenue	32,545	15,561	1,440	36,330	85,876

Revenue 6 months ended 30 June 2017	Marketing	Medical	Immersive	Communications	Total Group
	£000	£000	£000	£000	£000
Segmental revenue (Note 3)	39,508	14,255	1,581	38,856	94,200
Constant exchange rates	(2,980)	(838)	(123)	(455)	(4,396)
Business disposals	(949)	–	–	–	(949)
Like-for-like revenue	35,579	13,417	1,458	38,401	88,855

Operating profit 6 months ended 30 June 2018	Marketing	Medical	Immersive	Communications	Centre	Total Group
	£000	£000	£000	£000	£000	£000
Segmental operating profit (Note 3)	7,359	3,587	2,342	2,689	–	15,977
Unallocated costs	–	–	–	–	(4,281)	(4,281)
Share of profit from associate	–	–	–	–	117	117
Constant exchange rates	7	4	8	56	816	891
Acquisitions	(347)	–	(2,267)	–	–	(2,614)
Business disposals	–	–	–	2	–	2
Like-for-like operating profit	7,019	3,591	83	2,747	(3,348)	10,092
IFRS Net finance cost	–	–	–	–	(831)	(831)
Acquisition finance cost	–	–	–	–	438	438
Like-for-like headline profit before tax	7,019	3,591	83	2,747	(3,741)	9,699

Operating profit 6 months ended 30 June 2017	Marketing	Medical	Immersive	Communications	Centre	Total Group
	£000	£000	£000	£000	£000	£000
Segmental operating profit (Note 3)	7,905	2,707	19	3,250	–	13,881
Unallocated costs	–	–	–	–	(3,003)	(3,003)
Share of profit from associate	–	–	–	–	99	99
Constant exchange rates	(668)	(189)	5	187	(924)	(1,589)
Business disposals	89	–	–	3	–	92
Like-for-like operating profit	7,326	2,518	24	3,440	(3,828)	9,480
IFRS Net finance cost	–	–	–	–	(938)	(938)
Like-for-like headline profit before tax	7,326	2,518	24	3,440	(4,766)	8,542