HUNTSWORTH

Huntsworth PLC

Interim results for the six months to 30 June 2011

Huntsworth PLC, the global public relations and healthcare communications group, today announces its interim results for the six months to 30 June 2011.

Financial highlights

Revenue

- Revenue up to £88.1m (H1 2010: £87.0m)
- Like-for-like revenue growth of 1.6%
- Global revenues up to 13% of group revenues (H1 2010: 8%)
- Global and multi-office revenues up to 46% of group revenues (H1 2010: 41%)
- 88% of full year revenues committed for 2011

Profits

- Operating profits of £11.5m (H1 2010: £13.6m)
- Operating margin before central costs 17.8% (H1 2010: 20.6%)
- Operating margin post central costs 13.1% (H1 2010: 15.7%)
- Profit before tax £9.6m (H1 2010: £12.0m)

Diluted earnings per share

- Before highlighted items at 3.1p (H1 2010: 3.8p)
- After highlighted items at 2.1p (H1 2010: 2.9p)

Cash flow and net debt

- Cash flow from operating activities of £6.2m, representing a cash conversion of 54% (H1 2010: 63%)
- Deferred consideration of £12.3m paid in H1 (H1 2010: £4.0m)
- Acquisition of Atomic for net £7.7m cash
- Net debt at £72.6m (31 December 2010: £52.9m)

Other highlights

- Interim dividend up 11.1% to 1.0p (H1 2010: 0.9p)

Notes:

1) All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation of intangible assets, transaction costs and adjustments to deferred consideration in 2011. Highlighted items in H1 2010 comprised amortisation of intangible assets only.
2) Like-for-like revenues are stated at constant exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals/closures.

Peter Chadlington, Chief Executive of Huntsworth, said:

"Huntsworth's strategy is, first, to buy and build in public relations and in healthcare communications; second, to rationalise and simplify branding to attract international and multi-office business in order to enhance like-for-like revenue growth and; third, to apply strict financial disciplines to produce market leading margins and cash conversion.

As we have implemented the strategy, we have seen significant changes in the public relations market place and - to some degree - in healthcare communications. Reputation is becoming an integral part of every aspect of our commercial and public life. The industry is in transition at the same time that Huntsworth is in transition. Multi-national clients, the digital revolution, integration of the communications effort - all are playing a role in the new market place. As a result, clients are taking much longer to make decisions, procurement is playing a greater role and a much higher level of sophistication is being applied to the appointment process. These market changes are here to stay but are particularly visible during difficult economic times as clients have to justify every decision which they take.

Our brand rationalisation - which is now complete - is in response to the demands of this new market place and we are beginning to see the benefits showing through. Global and multi-office business accounted for 46% of revenues in the first half – up from 33% in the first half two years ago. We are confident of reaching our targeted like-for-like revenue growth rate of 7% during 2011 – significantly ahead of our historic results.

At the 2010 full-year results, we announced significant international and multi-office business wins. Much of this business – and some recent further wins – are only now emerging from the lengthy client procurement process and frustratingly will only make a very small contribution to 2011 results. However, we anticipate that all these new accounts will be fully on stream on or before 1 January 2012. This contribution will, of course, be in addition to the new business we would expect to add over the rest of this year and in 2012.

While we wait for these larger accounts to come on stream, particularly in Q4 and in 2012, it has been necessary for us to hold the resource in place to service the expected revenue increases, in turn putting short-term pressure on margins.

Subject, therefore, to global economic circumstances, we expect to start the next calendar year with accelerating revenue growth. We believe that we are very well placed to meet our targeted like-for-like growth rate of 7% during 2011 and remain confident of meeting our revenue expectations in 2012.

To reflect this confidence, the Board is to raise the interim dividend to 1.0p, up 11.1%".

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A presentation to analysts will take place at 9.30am on 25 August 2011 at the offices of Numis Securities Limited, 5th Floor, 10 Paternoster Square, London, EC4M 7LT.

To view an interview with Lord Chadlington and Sally Withey on the interim results and the outlook for Huntsworth, please view the following link:

http://www.huntsworth.com/investors.aspx

Chief Executive's Statement

We have made good progress in our strategy to change the revenue profile of the group to include a greater proportion of global and multi-office clients. These accounts grew to 46% of our total revenues from 33% prior to our major brand rationalisation in the comparable period in 2009, and our average fee per client is up 5% to £94,000 compared to 2010. Larger contracts are hugely beneficial to the group as they are normally on a preferred supplier basis, long term and high quality revenue.

When we reported our 2010 results in March this year, we indicated that such account wins were taking a long time to come on stream and we therefore expected revenues to be second half weighted. This has indeed proved to be the case due to the lengthy procurement processes of our clients and the effect of the current economic environment delaying decision making. As a result we are now seeing continued delays into 2012. Although the impact of the global wins will be limited in H2 2011, hindered by the macro-economic environment, we can see momentum in like-for-like revenue growth into 2012 from global revenues already booked.

Operating margins before central costs in the first half were 17.8% (H1 2010: 20.6%) and post central cost margins were 13.1% (H1 2010: 15.7%). Underlying margins which are adjusted for costs incurred in the first half and not repeated in the second half are at 19.0% before central costs (H1 2010: 21.7%). We expect underlying margin levels will be maintained in the second half.

As we expect our revenue streams to increase, driven by the progress we are seeing in our global and multi-office accounts into H2 and beyond, we must keep the people and the structure in place to develop these opportunities to the full. We expect our margins to move back in line with historic norms during 2012.

We have 88% of our expected revenues already committed for this year and, overall, revenue for the Group grew by 1.6% in the first half on a like-for-like basis. Q1 growth rates were flat but Q2 showed 3.3% growth. Grayling, in particular, had a strong Q2 with like-for-like revenue growth of 5.6%. This momentum for growth is expected to continue into Q3 and Q4 and we still expect to report like-for-like growth of 7% during 2011, in line with what we said at the 2010 results. In order to provide greater transparency to the market from now on we will report quarterly like-for-like growth rates.

Geographically, UK revenue was up 0.3%, the USA up 4.8% and Eastern Europe up 13.4%. The Western European countries were down 4.7% affected by the economic situation in the Eurozone and the Rest of World was down 1.2%. Divisionally, Grayling is up 2.6%, Huntsworth Health up 2.1%, Red up 1.8% and Citigate down 2.5%.

Our balance sheet remains strong with debt levels comfortably within our facilities and covenants. Cash conversion in the first half was lower than normal at 54% (H1 2010: 63%) as we take on more global accounts, but we remain on track to meet our cash conversion target of 100% on an annual basis. Closing net debt was £72.6 million after paying a large deferred consideration payment to our successful healthcare business and the acquisition of Atomic PR. Our deferred consideration profile will significantly reduce in future years and will be under £4 million per annum by 2014.

The interim dividend has been increased by 11.1% over 2010 up to 1.0p, reflecting not only the highly cash generative nature of our business but also our confidence in our global strategy and growth prospects.

Grayling

- 49% of Group revenues
- Like-for-like revenue growth of 2.6%
- Operating margins of 15.5% (underlying margins of 16.5%)
- 67% of annual revenues on retainers

Grayling was launched as a global division 18 months ago following the rationalisation of a number of Huntsworth brands. It was created to better service and grow revenues from existing clients and to win larger international business for which we were not, in most cases, being considered. On both fronts we are showing real momentum with like-for-like revenue growth accelerating in Q2 to 5.6%.

The win of the British Airways account in 38 countries at the end of Q1 was followed by the 17 country win of DHL in Q2, a relationship which has now been extended into North America. We have now won two further large clients which we service globally: DEK, the worldwide leader in screen and stencil printing solutions with applications in automotive, computer, medical and consumer markets; and Barry Callebaut, the world's largest manufacturer of high quality cocoa and chocolate products for the confectionery industry.

We have also won further European contracts worth over €2 million, including assignments from the European Commission for DG Employment and the Committee of Regions.

Other notable wins include Ace European Group, which has appointed us as its first pan-European PR company; the Swedish Ministry of Finance; BAE Systems in the Middle East; and Le Conseil Interprofessionnel du Vin de Bordeaux in Belgium.

Although these larger clients attract bigger budgets, and will provide greater revenue visibility moving forward, they involve both protracted pitch and procurement processes and delays in ramping up programmes, in some cases up to six months from the date of win.

Increased focus on deepening our relationships with existing clients is also paying dividends. Wonderful Pistachios has extended their remit from one country to three, existing client Google has now appointed us in Sweden and Kapsch in Russia. Audi has also appointed us in the Middle East following our win earlier in the year of the Volkswagen Brand in that region.

Operating margins in Grayling are at 15.5% with underlying margins at 16.5% as we maintain scale to service booked revenue levels in H2 and 2012.

Our first GraylingAtomic office has been established in London and we are implementing further offices in key European markets.

In the Eurozone the economic environment is particularly challenging. We are focusing on corporate and reputation management work, government relations as well as further investment in our EU tenders business.

As our reputation for handling global and international business grows we are benefitting from many more opportunities. Our pipeline of pitches and briefs is stronger than at any time in the past and we are now viewed within the industry as a company which can handle large, complex, global assignments as effectively as our larger, much longer-established competitors.

Huntsworth Health

- 29% of Group revenues
- Like-for-like revenue growth of 2.1%
- Global clients (>£3 million) increased to 4 (2010: 3)
- Operating margins of 20.4% (underlying margins of 22.0%)

Huntsworth Health's global structure enables it to have established business relationships with 38 of the Top 50 Pharmaceutical Companies. Average annual revenue per client within the Top 50 is £1.1 million, up 5% from 2010.

Huntsworth Health continues to realise significant success from its strategy to pitch for and win larger global pre-launch and launch programmes. We have increased the number of clients where we are a Preferred Provider (a short roster of 5-10 approved agencies) to 10 (from 8 in 2010). We have also signed 13 new, and renewed 8 existing, Master Services Agreements (MSAs—negotiated master contracts allowing Huntsworth Health to work with the global enterprise) in the first half of 2011. When we announced our 2010 results, we had three clients delivering over £3 million of revenues. This has increased to four clients in 2011.

Revenue momentum continued to build through the first half of 2011 with a like-for-like increase of 2.1% over the same period in 2010. Larger global programmes take longer to have an impact on the revenue stream due to a variety of factors. For example we were awarded two very large global programmes by top 10 pharma companies in May and June which will generate some £2.5 million of revenue through until the end of 2012, with only 10% (£250,000) of this recognisable in the current year.

An analysis of the impact of these very large global wins on 2012 revenues shows an incremental 4-5% growth over current rates, giving the potential for 2012 to be at or nearing double digit.

Citigate

- 15% of Group revenues
- Like-for-like revenue decline of 2.5%
- Operating margins of 20.1% (underlying margins of 21.0%)
- Retainer revenues grew by over 8% and now represent 69% of Citigate revenues

Citigate had £13.2 million of revenue in the period, a small decline from last year reflecting principally a subdued IPO and M&A market. The public policy division has found trading challenging, as have some of our Asian offices where transaction income has decreased. In Europe revenues have been growing solidly, especially France.

68% of Citigate revenues are generated in our flagship London office, where encouragingly, the Financial practice has shown good revenue growth through the first half, being 3.1% up. Transaction advice included the £313 million takeover of Chaucer Holdings Plc by The Hanover Insurance Group; Lonza Group Ltd's $1.2 billion takeover of Arch Chemicals Inc.; and the merger of Yorkshire Building Society and Norwich & Peterborough Building Society. Citigate is currently advising Alere Inc in its bid to takeover Axis-Shield Plc as well as Investec on the potential acquisition of Evolution Group.

The Corporate division in London has also won significant new business in the first half including Robert Half International (specialist global financial recruitment consultancy), RBS Insurance brands (Direct Line, Churchill and NIG) and Hawker Beechcraft (international aircraft manufacturer).

With 69% of Citigate revenues now on retainer, we are beginning to eliminate the volatility which has characterised this part of our business in the past. Margins across Citigate continue to be strong, at 21% on an underlying basis.

Red

- 7% of Group revenues
- Like-for-like revenue growth of 1.8%
- Like-for-like growth, excluding public sector losses, of 23.9%
- Operating margins of 17.9% (underlying margins of 19.5%)
- 91% of annual revenues on retainers

Red has successfully managed the loss of its public sector revenues in 2010 which represented 10% of its then annual revenues. It has continued to grow in the first six months of this year with significant new client wins including Adobe, 20th Century Fox Home Entertainment, The GAME Group and a brief to support Samsung UK’s Olympic Games activities. The UK market remains intensely competitive and current buying patterns are lengthy and slow. However Red’s largely blue chip client base provides a degree of shelter from the worst effects of the current market sluggishness.

Red has seen further progress in the agency’s diversification strategy into the Corporate, Healthcare, Technology and Digital markets.

Group Outlook

Our brand rationalisation is complete and the benefits are showing through. Global and multi-office business accounted for 46% of revenues in the first half – up from 33% in the first half two years ago. Our strategy to drive growth through global and multi-office revenues is providing real momentum and consequently we are confident of reaching our targeted like-for-like growth rate of 7% during 2011 – significantly ahead of our historic results.

Subject to global economic circumstances, we expect our increasingly global and multi-office revenues to deliver a steeply rising revenue curve into 2012.

While we wait for these larger accounts to come on stream, particularly in Q4 and in 2012, it has been necessary for us to hold the resource in place to service the expected revenue increases, in turn putting short-term pressure on margins.

Our dividend increase today reflects not only the highly cash generative nature of our business but also confidence in our global strategy and growth prospects moving forwards.

Review of Financial Results

SUMMARY OF FINANCIAL RESULTS

	2011 £'m	Like-for-like growth %	2010 £'m
Revenue			
Citigate	13.2	(2.5)%	13.5
Grayling	43.1	2.6%	41.8
Huntsworth Health	25.7	2.1%	25.1
Red	6.2	1.8%	6.7
Eliminations	(0.1)		(0.1)
Total operations	**88.1**	**1.6%**	**87.0**

	2011 £'m	Margin %	2010 £'m	Margin %
Operating profit				
Citigate	2.7	20.1%	3.0	22.3%
Grayling	6.7	15.5%	8.2	19.6%
Huntsworth Health	5.2	20.4%	5.2	20.8%
Red	1.1	17.9%	1.5	21.9%
Total operations	15.7	17.8%	17.9	20.6%
Central costs	(4.2)		(4.3)	
Operating profit before highlighted items	**11.5**	**13.1%**	**13.6**	**15.7%**
Operating highlighted items	(3.4)		(2.4)	
Reported operating profit	**8.1**	**9.3%**	**11.2**	**12.8%**
Adjusted basic EPS	3.3p		3.9p	
Reported basic EPS	2.2p		3.0p	

Introduction

In the commentary below all results are stated before taking account of highlighted items unless otherwise stated. Highlighted items in 2011 comprise amortisation of intangible assets, transaction costs and adjustments to deferred consideration. Highlighted items in H1 2010 comprised amortisation of intangible assets only.

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

Revenue and profits

Group revenue in the six months to 30 June 2011 increased by 1.3% to £88.1 million (H1 2010: £87.0 million).

On a like-for-like basis, revenues grew in three of our four divisions with Grayling at 2.6%, Huntsworth Health 2.1% and Red at 1.8%. CDR saw a like-for-like revenue decline of 2.5% but maintained strong margins. Overall Group like-for-like revenue grew by 1.6% in the first half of the year.

Group operating profits before central costs in the first half were £15.7 million (H1 2010: £17.9 million). Group operating margins before central costs was 17.8% (H1 2010: 20.6%) with divisional margins ranging between 15.5% (Grayling) and 20.4% (Huntsworth Health). Operating margin post central costs was 13.1% (H1 2010: 15.7%).

Underlying margins adjusted for charges not repeated in the second half (holiday pay and US payroll taxes) were 19.0% pre central costs and 14.3% after central costs.

Operating profit post central costs for the period were £11.5 million (H1 2010: £13.6 million).

Profit before tax was £9.6 million (H1 2010: £12.0 million).

Currency

Changes in exchanges rates have had little impact on the Group’s results in the period.

Highlighted items

Operating highlighted items of £3.4 million in the first half of 2011 relate to the amortisation of intangible assets, transaction costs and adjustments to deferred consideration (H1 2010: total operating highlighted items £2.4 million).

After highlighted items, statutory reported operating profit was £8.2 million (H1 2010: £11.2 million).

Tax

The total tax expense of £0.8 million comprises an underlying tax expense of £1.8 million together with a credit of £0.9 million on highlighted items. The underlying tax expense is based on the expected full year underlying tax rate of 18.5% (year ended 31 December 2010: 22%).

Earnings

Profits attributable to ordinary shareholders were £7.8 million (H1 2010: £9.2 million). Profits after highlighted items attributable to ordinary shareholders amounted to £5.4 million (H1 2010: £7.1 million).

Basic earnings per share were 3.3p (H1 2010: 3.9p). Diluted earnings per share were 3.1p (H1 2010: 3.8p). Basic earnings per share after highlighted items were 2.2p (H1 2010: 3.0p). Diluted earnings per share after highlighted items were 2.1p (H1 2010: 2.9p).

Dividends

The Board has continued its progressive dividend policy. The interim dividend has been increased by 11.1% to 1.0p per share (H1 2010: 0.9p). The record date for this dividend will be 7 October 2011 and it is payable on 11 November 2011. A scrip dividend alternative will be available.

Balance sheet and cash flow

The Group remains in a strong financial position and our businesses continue to generate good operating cash flows.

Net debt at 30 June 2011 was £72.6 million (30 June 2010: £55.9 million), well within the Group’s debt facilities.

Cash inflow from operations amounted to £6.2 million (H1 2010: £8.5 million). Cash conversion of operating profit into operating cash flows was 54%. For the full year, Huntsworth expects cash conversion to achieve the Group’s target of 100%.

Other principal cash outflows during the period were net payments for interest, tax and fixed assets of £4.4 million, purchase of shares through the buyback programme of £0.2 million, a net outflow in respect of acquisitions of £7.7 million and deferred consideration payments of £12.3 million.

Forecast covenants based on the new facility agreement continue to be comfortably met. Adjusted net debt: EBITDA is at 2.5 times for the half year (must be less than 3 times) and interest cover is at 11.2 times (must be greater than 4.25 times).

Earn-out payments

Future contingent earn-out payments as at 30 June 2011 are estimated at £24.8 million, comprising £10.8 million payable in cash and £14.0 million payable in cash/shares at Huntsworth's option. The timing of the aggregate of these payments is £6.0 million in the second half of 2011, £5.5 million in 2012, £6.5 million in 2013, £3.8 million in 2014, £1.8 million in 2015 and £1.2 million in 2016.

Key risks and uncertainties

As detailed on page 12 of the 2010 Annual Report and Accounts, the Group's key risks and uncertainties are identified as: dependence on key personnel and relationships with clients; management of growth; failure of information systems; competition in the provision of services; fluctuations of revenues, expenses and operating results; currency rate risk; and exposure to a downturn in the public relations industry. These risks are not considered to have changed since the 2010 Annual Report and Accounts were published.

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.

Notes to Editors:

1. Huntsworth PLC is a global public relations and healthcare communications group with 70 principal offices in 31 countries.
2. At 30 June 2011 the Group employed approximately 1,700 staff with an average annual fee income per head of £103,637.
3. Group revenue comprises the following key areas of activity: Corporate Communications and Public Affairs account for 36% of Group revenue; Consumer and B2B work account for 20% of Group Revenue; Financial non-deal led Public Relations work is 11%; Huntsworth Health is 29% and other activities are 4%.
4. By industry sector the revenue profile is broadly 27% Pharmaceuticals; 12% Financial Services; 9% Technology; 7% Healthcare, 6% Retail & Leisure; 6% Professional Services; 5% Government & Public Sector; 5% Food and Drink, 5% Industrial and 18% Other sectors.
5. Geographically, 41% of Group revenue in the first half of 2011 was from the UK; 21% from other European countries; 34% from the US; and 4% from the Rest of the World.
6. As at 3 August 2011 shareholdings of Directors, employees and employee trusts represent approximately 9% of the Group's issued share capital. Institutional shareholdings hold approximately 79%, with the top 10 holding some 59% as of 3 August 2011.

Condensed Consolidated Income Statement

for the six months ended 30 June 2011

	Notes	**Six months ended 30 June 2011 £000**	Six months ended 30 June 2010 £000	Audited Year ended 31 December 2010 £000
Turnover		**107,971**	111,615	224,258
Revenue	3	**88,092**	86,993	173,599
Operating expenses – excluding highlighted items		**(76,552)**	(73,365)	(143,950)
Operating expenses – highlighted items		**(3,379)**	(2,462)	(4,879)
Operating expenses – total		**(79,931)**	(75,827)	(148,829)
Operating profit before highlighted items	3	**11,540**	13,628	29,649
Highlighted items – operating expenses	4	**(3,379)**	(2,462)	(4,879)
Operating profit		**8,161**	11,166	24,770
Share of post-tax profit of associates		**-**	-	10
Finance income	5	**8**	15	140
Finance costs	5	**(1,965)**	(1,606)	(3,077)
Profit before tax and highlighted items		**9,583**	12,037	26,722
Highlighted items	4	**(3,379)**	(2,462)	(4,879)
Profit before tax		**6,204**	9,575	21,843
Taxation expense	6	**(845)**	(2,456)	(4,249)
Profit for the period		**5,359**	7,119	17,594
Attributable to:				
Parent Company's equity shareholders		**5,359**	7,079	17,517
Non-controlling interests		**-**	40	77
		5,359	7,119	17,594
Earnings per share:				
Basic – pence	8	**2.2**	3.0	7.4
Diluted – pence	8	**2.1**	2.9	7.1
Adjusted basic – pence*	8	**3.3**	3.9	8.7
Adjusted diluted – pence*	8	**3.1**	3.8	8.4

*Adjusted basic and diluted earnings per share are calculated based on the profit for the period adjusted for highlighted items and the related tax effects (Note 8).

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Audited Year ended 31 December 2010 £000
Profit for the period	**5,359**	7,119	17,594
Other comprehensive income/(expense)			
Movement in valuation of interest rate swaps	**181**	(499)	(173)
Tax (expense)/credit on interest rate swaps	**(48)**	140	37
Currency translation differences	**1,029**	3,179	2,404
Tax credit on currency translation differences	**41**	163	49
Other comprehensive income for the period	**1,203**	2,983	2,317
Total comprehensive income for the period	**6,562**	10,102	19,911
Total comprehensive income attributable to:			
Parent Company's equity shareholders	**6,562**	10,062	19,834
Non-controlling interests	**-**	40	77
	6,562	10,102	19,911

Condensed Consolidated Balance Sheet

as at 30 June 2011

	Notes	30 June 2011 £000	30 June 2010 £000	Audited 31 December 2010 £000
Non-current assets				
Intangible assets	9	**306,729**	290,243	291,875
Property, plant and equipment		**5,281**	4,952	5,174
Investment in associates		**-**	52	22
Available for sale financial assets		**-**	104	104
Other receivables		**344**	336	370
Derivative financial assets		**-**	6	4
Deferred tax assets		**901**	5,696	652
		313,255	301,389	298,201
Current assets				
Work in progress		**2,495**	1,890	1,453
Trade and other receivables		**50,080**	44,526	43,898
Corporation tax receivable		**806**	1,333	387
Derivative financial assets		**-**	157	122
Cash and short-term deposits		**6,094**	8,731	9,305
		59,475	56,637	55,165
Current liabilities				
Bank loans and overdrafts	10	**(15)**	(3,004)	(4,521)
Obligations under finance leases		**(55)**	(68)	(72)
Trade and other payables		**(53,674)**	(49,750)	(47,093)
Derivative financial liabilities		**(510)**	(92)	(91)
Corporation tax payable		**(4,247)**	(6,155)	(4,685)
Provisions	11	**(12,890)**	(20,621)	(19,944)
		(71,391)	(79,690)	(76,406)
Non-current liabilities				
Bank loans and overdrafts	10	**(77,507)**	(60,068)	(56,430)
Obligations under finance leases		**(17)**	(89)	(36)
Trade and other payables		**(246)**	(468)	(578)
Derivative financial liabilities		**(564)**	(1,489)	(1,164)
Deferred tax liabilities		**(914)**	(5,349)	(1,170)
Provisions	11	**(14,527)**	(14,425)	(11,156)
		(93,775)	(81,888)	(70,534)
Net assets		**207,564**	196,448	206,426
Equity				
Called up share capital		**106,356**	106,233	106,356
Shares to be issued reserve		**-**	6,921	-
Share premium account		**25,833**	24,763	25,840
Merger reserve		**63,319**	56,506	63,319
Foreign currency translation reserve		**24,986**	24,732	23,957
Hedging reserve		**(1,008)**	(1,515)	(1,189)
Treasury shares		**(1,835)**	(3,657)	(1,592)
Investment in own shares		**(5,471)**	(4,195)	(5,480)
Retained earnings		**(4,616)**	(13,700)	(4,785)
Equity attributable to equity holders of the parent		**207,564**	196,088	206,426
Non-controlling interests		**-**	360	-
Total equity		**207,564**	196,448	206,426

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2011

	Notes	**Six months ended 30 June 2011 £000**	Six months ended 30 June 2010 £000	Audited Year ended 31 December 2010 £000
Cash inflow from operating activities				
Cash inflow from operations	12(a)	**5,193**	5,470	25,623
Interest paid		**(1,377)**	(1,246)	(2,553)
Interest received		**15**	15	140
Cash flows from hedging activities		**121**	4	4
Corporation tax paid		**(1,810)**	(1,746)	(3,141)
Net cash inflow from operating activities		**2,142**	2,497	20,073
Cash outflow from investing activities				
Acquisition of subsidiaries, net of cash acquired, and deferred consideration payments		**(19,985)**	(4,545)	(12,218)
Acquisition of non-controlling interests		**-**	(2,145)	(2,145)
Proceeds from disposal of associate		**7**	-	-
Cost of internally developed intangible assets		**(54)**	(90)	(89)
Purchases of property, plant and equipment		**(1,196)**	(1,025)	(2,408)
Proceeds from sale of property, plant and equipment		**14**	26	49
Dividends received from associates		**11**	-	40
Net cash outflow from investing activities		**(21,203)**	(7,779)	(16,771)
Cash inflow/(outflow) from financing activities				
Purchase of own shares – treasury shares		**(248)**	(1,061)	(1,525)
Proceeds from sale of own shares to settle share options		**5**	-	531
Repayment of finance lease liabilities		**(34)**	(39)	(78)
Net drawdown of borrowings		**16,270**	5,395	3,201
Dividends paid to equity holders of the parent		**-**	-	(5,727)
Net cash inflow/(outflow) from financing activities		**15,993**	4,295	(3,598)
Decrease in cash and cash equivalents		**(3,068)**	(987)	(296)
Movements in cash and cash equivalents				
Decrease in cash and cash equivalents		**(3,068)**	(987)	(296)
Effects of exchange rate fluctuations on cash held		**(137)**	343	209
Cash and cash equivalents at 1 January		**9,284**	9,371	9,371
Cash and cash equivalents at end of period	12(c), (d)	**6,079**	8,727	9,284

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011

	Called up share capital £000	Shares to be issued £000	Share premium account £000	Merger reserve £000	Foreign currency translation reserve £000	Hedging reserve £000	Treasury shares £000	Investment in own shares £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total Equity £000
At 1 January 2010	**106,233**	**6,921**	**24,763**	**56,506**	**21,553**	**(1,016)**	**(2,654)**	**(4,446)**	**(14,752)**	**193,108**	**1,030**	**194,138**
Profit for the period	-	-	-	-	-	-	-	-	7,079	7,079	40	7,119
Other comprehensive income/(expense)	-	-	-	-	3,179	(499)	-	-	303	2,983	-	2,983
Total comprehensive income	**-**	**-**	**-**	**-**	**3,179**	**(499)**	**-**	**-**	**7,382**	**10,062**	**40**	**10,102**
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(1,435)	(1,435)	(710)	(2,145)
Purchase of own shares	-	-	-	-	-	-	(1,061)	-	-	(1,061)	-	(1,061)
Settlement of share options	-	-	-	-	-	-	58	251	(153)	156	-	156
Credit for share-based payments	-	-	-	-	-	-	-	-	60	60	-	60
Equity dividends	-	-	-	-	-	-	-	-	(4,802)	(4,802)	-	(4,802)
At 30 June 2010	**106,233**	**6,921**	**24,763**	**56,506**	**24,732**	**(1,515)**	**(3,657)**	**(4,195)**	**(13,700)**	**196,088**	**360**	**196,448**
Profit for the period	-	-	-	-	-	-	-	-	10,438	10,438	37	10,475
Other comprehensive income/(expense)	-	-	-	-	(775)	326	-	-	(217)	(666)	-	(666)
Total comprehensive income	**-**	**-**	**-**	**-**	**(775)**	**326**	**-**	**-**	**10,221**	**9,772**	**37**	**9,809**
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	397	397	(397)	-
Acquisitions of subsidiaries	108	(6,921)	-	6,813	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	(464)	-	-	(464)	-	(464)
Settlement of share options	-	-	-	-	-	-	607	637	(444)	800	-	800
Credit for share-based payments	-	-	-	-	-	-	-	-	330	330	-	330
Tax on share based payments	-	-	-	-	-	-	-	-	438	438	-	438
Share issue costs	-	-	(10)	-	-	-	-	-	-	(10)	-	(10)
Scrip dividends	15	-	1,087	-	-	-	-	-	-	1,102	-	1,102
Equity dividends	-	-	-	-	-	-	-	-	(2,027)	(2,027)	-	(2,027)
Transfers	-	-	-	-	-	-	1,922	(1,922)	-	-	-	-
At 31 December 2010 (audited)	**106,356**	**-**	**25,840**	**63,319**	**23,957**	**(1,189)**	**(1,592)**	**(5,480)**	**(4,785)**	**206,426**	**-**	**206,426**
Profit for the period	-	-	-	-	-	-	-	-	5,359	5,359	-	5,359
Other comprehensive income/(expense)	-	-	-	-	1,029	181	-	-	(7)	1,203	-	1,203
Total comprehensive income	**-**	**-**	**-**	**-**	**1,029**	**181**	**-**	**-**	**5,352**	**6,562**	**-**	**6,562**
Purchase of own shares	-	-	-	-	-	-	(248)	-	-	(248)	-	(248)
Settlement of share options	-	-	-	-	-	-	5	9	(2)	12	-	12
Credit for share-based payments	-	-	-	-	-	-	-	-	723	723	-	723
Tax on share based payments	-	-	-	-	-	-	-	-	226	226	-	226
Share issue costs	-	-	(7)	-	-	-	-	-	-	(7)	-	(7)
Equity dividends	-	-	-	-	-	-	-	-	(6,130)	(6,130)	-	(6,130)
At 30 June 2011	**106,356**	**-**	**25,833**	**63,319**	**24,986**	**(1,008)**	**(1,835)**	**(5,471)**	**(4,616)**	**207,564**	**-**	**207,564**

Notes to the Financial Statements
for the six months ended 30 June 2011

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, IAS 34 "Interim Financial Reporting" and the Group's accounting policies.

The Group's accounting policies are in accordance with International Financial Reporting Standards as adopted by the European Union and are set out in the Group's Annual Report and Accounts 2010 on pages 41-46. These are consistent with the accounting policies which the Group expects to adopt in its 2011 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 2011 and 30 June 2010 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 28 of this document. The comparative figures for the year ended 31 December 2010 have been extracted from the Group's Annual Report and Accounts 2010, on which the auditors gave an unqualified 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 2010 have been filed with the Registrar of Companies.

Going concern

After reviewing the Group's performance and future cash flows, the Directors consider that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

2. Acquisitions

Atomic

On 22 March 2011, the Group acquired the entire share capital of Atomic Communications, LLC (a company incorporated in the United States), 100% of the voting shares of Atomic Communications Holdings Limited (a company incorporated in the United Kingdom) and the bespoke web-based data analytics application ComContext (together "Atomic"). The acquisition accounting has been determined provisionally.

Atomic has contributed £2.8 million to revenue and £0.6 million to profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisition of Atomic had been completed on the first day of the financial year, Group revenues for the period would have been £90.1 million and Group operating profit would have been £8.6 million.

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

	Fair value £000
Customer relationships	1,473
Intellectual property	1,868
Property, plant and equipment	154
Trade and other receivables	839
Deferred tax asset	85
Cash and cash equivalents	840
Trade and other payables	(114)
Other creditors and provisions	(608)
Net assets acquired	4,537
Goodwill arising on acquisition	13,230
	17,767
Discharged by:	
Cash consideration	8,616
Deferred contingent consideration	9,151
Total consideration	**17,767**
Net cash outflow arising on acquisition:	
Cash consideration	8,616
Cash and cash equivalents acquired	(840)
	7,776

2. Acquisitions continued

The fair value of trade and other receivables includes trade receivables with a fair value of £740,000 and a gross contractual value of £790,000. The best estimate at the acquisition date of contractual cash flows not to be collected is £50,000.

Goodwill comprises the value of expected synergies arising from the acquisition and other intangible assets that do not qualify for separate recognition. All of the goodwill is expected to be deductible for income tax purposes.

The fair value of the contingent consideration payment is based on forecast average profits for the period from acquisition to 31 December 2015. The potential undiscounted range of future payments that Huntsworth could be required to make under the contingent consideration arrangement is between nil and £23 million and will be paid in cash or a combination of cash and shares at Huntsworth's discretion.

Acquisition related costs of £440,000 were incurred and these are included within highlighted items in the income statement.

3. Segmental analysis

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

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

6 months to 30 June 2010	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	**Total £000**
Revenue					
Total revenue	13,535	41,826	6,713	25,032	**87,106**
Intra-group eliminations	(53)	(60)	-	-	**(113)**
Segment revenue	13,482	41,766	6,713	25,032	**86,993**
Segment operating profit before highlighted items	3,012	8,180	1,473	5,217	**17,882**

Notes to the Financial Statements continued

for the six months ended 30 June 2011

3. Segmental analysis continued

Year ended 31 December 2010	Citigate £000	Grayling £000	Red £000	Huntsworth Health £000	Total £000
Revenue					
Total revenue	26,260	83,179	12,932	51,395	**173,766**
Intra-group eliminations	(74)	(93)	-	-	**(167)**
Segment revenue	26,186	83,086	12,932	51,395	**173,599**
Segment operating profit before highlighted items	5,421	16,453	2,749	12,339	**36,962**

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

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Segment operating profit before highlighted items	**15,695**	17,882	36,962
Unallocated costs	**(4,155)**	(4,254)	(7,313)
Operating profit before highlighted items	**11,540**	13,628	29,649
Highlighted items	**(3,379)**	(2,462)	(4,879)
Operating profit	**8,161**	11,166	24,770
Share of profit of associates	**-**	-	10
Net finance costs	**(1,957)**	(1,591)	(2,937)
Profit before tax	**6,204**	9,575	21,843

4. Highlighted items

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Charged to operating profit			
Amortisation of intangible assets	**2,101**	2,462	4,331
Transaction costs	**978**	-	548
Adjustments to deferred consideration	**300**	-	-
	3,379	2,462	4,879
Charged to profit before tax			
Taxation credit	**(928)**	(313)	(1,630)
Charged to profit for the year	**2,451**	2,149	3,249

Highlighted items charged to profit before tax comprise significant non-cash charges and non-recurring items which are highlighted in the income statement because, in the opinion of the Directors, separate disclosure is helpful in understanding the underlying performance of the business.

Amortisation of intangible assets

Intangible assets are amortised systematically over their estimated useful lives, which vary from 3 to 20 years depending on the nature of the asset. These are significant non-cash charges which arise as a result of acquisitions.

Transaction costs

This consists of costs incurred in relation to completed acquisitions and aborted transactions.

Adjustments to deferred consideration

In line with the requirements of *IFRS 3 (revised) 'Business Combinations'*, any adjustments to the fair value of deferred consideration liabilities are now taken to the Income Statement rather than being included as part of the cost of investment or as an adjustment to goodwill. These costs are presented as highlighted items as the Directors consider that this gives a clearer understanding of the underlying performance of the business.

Taxation

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

Notes to the Financial Statements continued

for the six months ended 30 June 2011

5. Finance costs and income

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Bank interest payable	**1,866**	1,272	2,647
Finance lease interest	**11**	9	17
Fair value movement on financial instruments	**4**	65	66
Imputed interest on property and other provisions	**22**	45	61
Imputed interest on deferred consideration	**62**	215	286
Finance costs	**1,965**	1,606	3,077
Bank interest receivable	**(4)**	(12)	(26)
Fair value movement on financial instruments	**-**	-	(114)
Other interest receivable	**(4)**	(3)	-
Finance income	**(8)**	(15)	(140)
Net finance costs	**1,957**	1,591	2,937

6. Taxation

The tax expense/(credit) for the six months ended 30 June 2011 has been based on an estimated effective tax rate on profit before tax and highlighted items for the full year of 18.5% (year ended 31 December 2010: 22%). The tax expense/(credit) is analysed as follows:

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Before highlighted items:			
Current tax	**1,099**	1,704	2,552
Deferred tax	**674**	1,065	3,327
	1,773	2,769	5,879
Highlighted items:			
Current tax	**(20)**	(83)	(231)
Deferred tax	**(908)**	(230)	(1,399)
	(928)	(313)	(1,630)
Total:			
Current tax	**1,079**	1,621	2,321
Deferred tax	**(234)**	835	1,928
Total tax expense	**845**	2,456	4,249

The UK's Finance Act 2011 introduced legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012. However as this change was only substantively enacted on 5 July 2011 following the current reporting date, the Group's deferred tax balances have not been updated to reflect this change. The deferred tax balances in the Group's full year results to 31 December 2011 will incorporate this change in tax rate although it is not considered that this will have a significant impact on the Group's full year effective tax rate.

Notes to the Financial Statements continued

for the six months ended 30 June 2011

7. Dividends

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Equity dividends on ordinary shares:			
Final dividend for the year ended 2009 – 2.15 pence	**-**	4,802	4,802
Interim dividend for the year ended 2010 – 0.9 pence	**-**	-	2,027
Final dividend for the year ended 2010 – 2.60 pence	**6,130**	-	-
	6,130	4,802	6,829

The final dividend for the year ended 31 December 2010 of 2.60 pence per share was approved by shareholders at the Annual General Meeting on 12 May 2011 and was paid on 6 July 2011. This dividend is included in trade and other payables at 30 June 2011.

The proposed 2011 interim dividend of 1.0 pence per share was approved by the Board on 24 August 2011 and in accordance with IFRS has not been included as a deduction from equity at 30 June 2011. The dividend will be paid on 11 November 2011 to those shareholders on the register on 7 October 2011.

8. Earnings per share

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

	Six months ended 30 June 2011		Six months ended 30 June 2010		Year ended 31 December 2010	
	Earnings £000	**Weighted average number of shares 000's**	Earnings £000	Weighted average number of shares 000's	Earnings £000	Weighted average number of shares 000's
Basic	**5,359**	**238,768**	7,079	236,938	17,517	237,566
Diluted	**5,359**	**250,336**	7,079	245,903	17,517	247,297
Adjusted basic	**7,810**	**238,768**	9,228	236,938	20,764	237,566
Adjusted diluted	**7,810**	**250,336**	9,228	245,903	20,764	247,297

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

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

Notes to the Financial Statements continued

for the six months ended 30 June 2011

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:

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Earnings:			
Profit for the period attributable to the Parent Company's shareholders	**5,359**	7,079	17,517
Highlighted items (net of tax) attributable to the Parent Company's shareholders	**2,451**	2,149	3,247
Adjusted earnings	**7,810**	9,228	20,764

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Number of shares:			
Weighted average number of ordinary shares – basic and adjusted	**238,768**	236,938	237,566
Effect of share options in issue	**9,759**	8,965	8,531
Effect of deferred contingent consideration	**1,809**	-	1,200
Weighted average number of ordinary shares – diluted	**250,336**	245,903	247,297

9. Intangible assets

	Brands	Customer relationships	Goodwill	Intellectual property	Software develop-ment costs	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2011	25,382	28,496	296,866	-	529	351,273
Arising on acquisitions in the period	-	1,473	13,230	1,868	-	16,571
Adjustments to prior year acquisitions	-	-	(153)	-	-	(153)
Capitalised development costs	-	-	-	-	54	54
Exchange differences	153	(162)	1,161	144	(11)	1,285
At 30 June 2011	**25,535**	**29,807**	**311,104**	**2,012**	**572**	**369,030**
Amortisation and impairment charges						
At 1 January 2011	18,393	22,674	18,041	-	290	59,398
Charge for the period	367	1,637	-	97	83	2,184
Exchange differences	138	(63)	646	5	(7)	719
At 30 June 2011	**18,898**	**24,248**	**18,687**	**102**	**366**	**62,301**
Net book value at 30 June 2011	**6,637**	**5,559**	**292,417**	**1,910**	**206**	**306,729**
Net book value at 31 December 2010	6,989	5,822	278,825	-	239	291,875
Net book value at 30 June 2010	7,360	6,738	275,814	-	331	290,243

Brands, customer relationships and intellectual property are being amortised over their useful economic lives of between 3 and 20 years.

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

10. Bank loans and overdrafts

On 15 March 2011, the Group signed a new £105 million multi-currency facility with Lloyds TSB Bank plc, The Royal Bank of Scotland and Clydesdale Bank plc and a new £5 million committed overdraft facility with Lloyds TSB Bank plc. Both facilities are due to expire in May 2015. The margin payable on the facility is variable between 1.75% and 2.90% depending on the Group's net debt to EBITDA ratio.

The previous facility was repaid in full in March 2011. Remaining capitalised loan fees in respect of this facility were fully amortised, with the incremental charge included within finance costs (see Note 5).

11. Provisions

	Deferred contingent consideration	Property	Reorganisation and other	Total
	£000	£000	£000	£000
At 31 December 2010	28,243	2,740	117	31,100
Provision upon acquisition	9,151	17	122	9,290
Arising during the year	148	89	-	237
Exchange differences	(497)	(35)	4	(528)
Utilised	(12,316)	(450)	-	(12,766)
Unwind of discount	62	21	1	84
At 30 June 2011	**24,791**	**2,382**	**244**	**27,417**
Current	**11,452**	**1,438**	**-**	**12,890**
Non-current	**13,339**	**944**	**244**	**14,527**

Deferred contingent consideration for acquisitions

Acquisitions made by the Group typically involve an earn-out arrangement whereby the consideration payable includes a deferred element, payable in either cash or a combination of cash and shares at the Company's option that is contingent on the future financial performance of the acquired entity. The Group anticipates settling the deferred consideration provisions over the next five years. The amount arising in the year represents the change in the estimated earn-out based on the latest financial performance of the acquired businesses. The amount utilised in the year represents the cash paid or shares issued under the earn-out arrangements.

Property provisions

Provisions for property represent amounts set aside in respect of property leases which are vacant or onerous. The quantification of these provisions depends upon the Group's ability to exit the leases early or to sublet the properties and has been determined based on external professional advice. In general, property costs are expected to be incurred over periods for which individual properties remain vacant or, where occupied, to the termination of the leases in question, which range from one to four years.

Reorganisation and other provisions

As a result of acquisitions and disposals of subsidiaries, the Group has implemented a number of restructuring initiatives. In addition, when disposing of businesses, normal commercial warranties and indemnities have been given to purchasers, and provisions have been made to cover the best estimate of the Group's exposure.

12. Cash flow analysis

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

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Operating profit	**8,161**	11,166	24,770
Depreciation	**1,134**	1,169	2,351
Share option charge	**677**	199	556
Loss/(profit) on disposal of property, plant and equipment	**17**	(5)	107
Amortisation of intangible assets	**2,184**	2,539	4,490
Expense incurred on hedging activities	**-**	273	273
Unrealised foreign exchange gain	**-**	(129)	(95)
Profit on disposal of associates	**(9)**	-	-
(Increase)/decrease in work in progress	**(952)**	(364)	56
(Increase)/decrease in debtors	**(4,943)**	2,551	4,099
Decrease in creditors	**(948)**	(9,542)	(6,893)
Decrease in provisions	**(128)**	(2,387)	(4,091)
Net cash inflow from operations	**5,193**	5,470	25,623

Net cash inflow from operations is analysed as follows:

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Before highlighted items	**6,213**	8,522	30,769
Highlighted items	**(1,020)**	(3,052)	(5,146)
Net cash inflow from operations	**5,193**	5,470	25,623

Highlighted cash flows include £0.5 million (30 June 2010: £1.3 million, 31 December 2010 £2.6 million) relating to the cash impact of property provisions made in prior periods and £0.5 million relating to acquisition and refinancing related costs (30 June 2010: £nil, 31 December 2010: £0.5 million). No highlighted cash flows were incurred in respect of brand rationalisation (30 June 2010: £1.7 million, 31 December 2010 £2.0 million).

12. Cash flow analysis (continued)

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

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000	Year ended 31 December 2010 £000
Decrease in cash and cash equivalents in the period	**(3,068)**	(987)	(296)
Cash inflow from debt drawdowns	**(16,270)**	(5,395)	(3,201)
Settlement of derivative financial instruments	**-**	(277)	(277)
Repayment of capital element of finance leases	**34**	38	78
Change in net debt resulting from cash flows	**(19,304)**	(6,621)	(3,696)
Amortisation and write down of loan fees	**(308)**	(74)	(179)
Movement in fair value of derivative financial instruments	**55**	(433)	(144)
Acquisition of finance leases	**-**	(39)	(34)
Translation differences	**(134)**	284	203
Increase in net debt	**(19,691)**	(6,883)	(3,850)
Net debt at beginning of period	**(52,883)**	(49,033)	(49,033)
Net debt at end of period	**(72,574)**	(55,916)	(52,883)

(c) Analysis of net debt

	30 June 2011 £000	30 June 2010 £000	31 December 2010 £000
Cash and short-term deposits	**6,094**	8,731	9,305
Overdrafts (current)	**(15)**	(4)	(21)
Net cash and cash equivalents	**6,079**	8,727	9,284
Bank loans (current)	**-**	(3,000)	(4,500)
Bank loans and overdrafts (non-current)	**(77,507)**	(60,068)	(56,430)
Derivative financial assets	**-**	163	126
Derivative financial liabilities	**(1,074)**	(1,581)	(1,255)
Obligations under finance leases	**(72)**	(157)	(108)
Net debt	**(72,574)**	(55,916)	(52,883)

(d) Cash and cash equivalents

	30 June 2011 £000	30 June 2010 £000	31 December 2010 £000
Cash and short-term deposits	**6,094**	8,731	9,305
Overdrafts (current)	**(15)**	(4)	(21)
Cash and cash equivalents	**6,079**	8,727	9,284

13. 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 associates and with Directors and executive officers. There were no material related party transactions other than the remuneration of key management personnel of £1,325,000 in the six months ended 30 June 2011.

Independent Review Report

To the Board of Huntsworth plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 13. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
24 August 2011

Statement of Directors' Responsibilities

for the six months ended 30 June 2011

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

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

- includes a fair review of the information required by the Financial Services Authority's Disclosure and Transparency Rules ('DTR') 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

- includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Sally Withey
Chief Operating Officer

Colin Adams
Group Finance Director