HUNTSWORTH

Huntsworth PLC

Audited Preliminary Results

for the year ended 31 December 2008

Robust Trading and Strong Balance Sheet

Huntsworth PLC, the international public relations and healthcare communications group, today announces its preliminary results for the year ended 31 December 2008.

Financial highlights[1]

- Revenue up 4.5% at £159.1m (2007: £152.3m)
- Profit before tax up 9.9% to £24.0m (2007: £21.9m)
- Earnings per share up 7.6% to 8.5p (2007: 7.9p)
- Proposed final dividend up 8.1% to 2.0p giving a total dividend up 8.0% to 2.7p (2007: 2.5p)
- Operating margin pre central costs maintained at 21.0% (2007: 21.0%)
- Operating margin post central costs up to 16.5% (2007:15.9%)
- Cash flow from operating activities of £28.8m, representing a cash conversion of 110%
- Debt reduced to £33.5m well below expected year end levels

Financial results after highlighted items

- Profit before tax after highlighted items up 87% to £20.1m (2007: £10.8m)
- Earnings per share after highlighted items down 19% to 4.8p (2007: 5.9p)

Operational highlights

- Broad spread across public relations practice areas, industry sectors and geographies providing revenue resilience
- Strong management control procedures in place giving ability to manage margins
- International network business up from 29% to 31% of revenues
- Increasing ability to win flagship accounts: Huntsworth Health recently awarded a single digital contract expected to be worth US$10 m over four years
- Acquisition of Momentum in February 2009 providing a platform for growth in the Middle East

Notes:

1. All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation of intangible assets, profit on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net restructuring and other non-recurring items.

Peter Chadlington, Chief Executive of Huntsworth, said:

"2008 has been another robust year for Huntsworth. Our well-balanced portfolio of agencies and international profile have helped us in the challenging trading environment in which we find ourselves. In addition, our effective management controls have ensured that we have continued to produce strong margins. The Group is in a robust financial position with substantially reduced debt and banking facilities in place until 2012 which will give us the flexibility to take advantage of growth opportunities that may arise in the downturn.

Our confidence in the Group is demonstrated by the proposed 8% dividend increase, the senior executives' waiver of 2008 cash bonus entitlements in favour of deferred stock awards and recent stock purchases by the Board."

Contacts:

Huntsworth PLC	+44 (0)207 224 8778
Peter Chadlington, Group Chief Executive	
Sally Withey, Group Chief Operating Officer	
Citigate Dewe Rogerson	+44 (0)20 7638 9571
Simon Rigby	
George Cazenove	
Angharad Couch	

A presentation to analysts will take place at 9.30am on Monday 23 March 2009 at the offices of Numis Securities Limited, 5th Floor, 10 Paternoster Square, London, EC4M 7LT.

CHIEF EXECUTIVE'S STATEMENT

Overview

Huntsworth continued to produce strong revenues, profits and margins in 2008:

- Revenue up 4.5% at £159.1m (2007: £152.3m)
- Organic[1] revenues up 3%
    - Public Relations revenues up 5%
    - Huntsworth Health revenues down 1%
- Revenue down 1.9% at constant currencies[2]
- Profit before tax up 9.9% to £24.0m (2007: £21.9m)
- Group won £47.1m of net new business in the year – 54% from existing clients

Note:

1. Organic revenues are at actual exchange rates and adjusted to include pre-acquisition revenues and exclude disposals
2. Constant currency results are calculated by restating prior year local currency amounts using current year exchange rates

The Portfolio

Huntsworth has two principal areas of activity – Public Relations (74% of Group revenue) and Huntsworth Health (26% of Group revenue).

Our broad spread of businesses across public relations practices and industry sectors together with our geographic profile and no reliance on any individual client enabled the Group to balance areas of growth and decline and increase margins during the year. We outlined at our interim results how we expected the different public relations and public affairs disciplines to trade through a downturn. To date, the global recession has affected our businesses broadly as anticipated. Financial projects have fallen but financial retainers remain strong, consumer revenues have been boosted as advertising budgets have been switched to public relations and public affairs, and Huntsworth Health are proving more sensitive to political and drug release cycles than the broader economic cycle.

Despite a more challenging economic climate our client profile remains broadly similar to last year, having retained 24 of 2007's top 25 clients, with client attrition rates lower than last year at 4% (2007:5%).

We have benefitted from our international profile with approximately 40% of our profits after associates denominated in US dollars and 20% in Euros and we have an option to hedge the translation risk on our 2009 profits should these currencies weaken.

The Group is not exposed to any dominant clients with the largest client representing 1.1% of revenue, the top 10 clients account for 7.8% and the top 25 clients only 14.8%. Average fee income per client on a continuing basis is £49,000 for Public Relations and £96,000 for Huntsworth Health which may lead to less cyclicality in our revenues as compared with other bigger ticket marketing spends.

We have developed a Group-wide culture of rigorous focus on margin management with systems in place to monitor portfolio companies' margins on a weekly basis. With approximately 70% of the next 12 months' revenue visible at any given time and 12% of our costs variable, we believe we are well placed to manage our operating margins closely and tightly even in a tough climate.

Over the year we have made progress on simplifying our group structure, merging brands and creating efficiencies whenever possible. Our predominant brands include Trimedia, Red, Grayling, Citigate and

Huntsworth Health. However with 26 individual trading brands across the Group we believe there is scope for further co-operation and efficiency and will continue to look for further opportunities to enable our companies to work more closely together as our international network client base grows.

In February 2009 we acquired Momentum International Limited in Dubai which provides a platform for future growth in the Middle East.

Public Relations

Within our public relations agencies, which represent 74% of Group revenues, we offer a range of practices which all performed slightly differently in 2008 as we began to trade through the downturn. Overall, public relations organic revenue growth was 5% in the year.

Consumer Communications

Whilst advertising revenues have been falling across the globe, our consumer revenues have continued to grow organically, up 8% in 2008. This forward momentum has continued into the first few weeks of 2009.

The Red Consultancy, one of our leading consumer agencies, grew its client base substantially and delivered a broad spectrum of campaigns. These included brand building for Coors Brewers' product launches for Carling; support for Cadbury's commercials promoting "Glass and A Half Full Productions"; an educational campaign for the Lego range; helping Chevron promote renewable energy initiatives and a profile building campaign for Ebookers.

Corporate Communications

Corporate and B2B revenues were up 6% organically. Reputation Management, Corporate and Social Responsibility (CSR) and the Environment remained strong as well as Crisis and Issues communications. Significant wins included the launch and ongoing retainer mandate from private jet start-up Jet Republic; a pan-European brief from investment management firm Legg Mason; helping Indian outsourcing company Patni to support the growth of its operations in Europe; the pan-European media brief for ING Investment Management; a pan-Asian remit for the world's leading digital security provider Gemalto, and an increase in corporate work for financial clients including BlackRock and Threadneedle.

Public sector work was strong including contracts won for Becta promoting the objective of encouraging the use of information and communication technology in education and UK Online's campaign to get the whole UK population online.

Communications and reputation management is proving to be even more critical than in previous downturns – together with increased sophistication in traditional public relations and digital activities – but we are seeing our clients tending to engage us on a project basis to overcome budgetary constraints.

Financial Communications

Overall Financial Communications declined organically by 4%. As expected, financial projects – which now account for only 4% of Group revenues - have declined by 25%. However, our substantial financial retainer base has grown by 3% as clients see the benefit of more sophisticated communications particularly in financial calendar work and investor relations. Our core clients remain stable as we help them to communicate during challenging times and the revenue base remains strong going into 2009.

Despite the decline in the IPO market, Citigate's financial team advised on the two largest European IPOs of 2008 – New World Resources and EDP Renováveis – and also advised on Globaltrans, the largest IPO by a Russian company in 2008.

Our investor relations practice continues to advise a growing number of major clients with increasing demand for bespoke research into investor attitudes and perception of companies' strategies to better inform their Boards. Global execution of complex investor relations solutions continued to drive business activity in 2008. China was a major growth area with numerous new wins among Chinese companies contracting Grayling for full service investor relations programmes to support their U.S. stock listings. Grayling spearheaded the launch of the New York Representative Office of the City of Shenzhen, a city of twelve million people.

Public Affairs

Our Public Affairs firms grew revenues organically by 33% in 2008. A new US President along with political change and budgetary crisis in California have provided new opportunities. We also continued to win new clients as preparations begin for the upcoming General Election in the United Kingdom and we expect this trend to continue into 2009.

Notable wins included work for REACHforLIFE to co-ordinate an integrated public affairs and public relations campaign delivered by our network in the United Kingdom, Brussels, France, Germany and the Netherlands, with the objective of the campaign to ignite a debate through the business media on the European Union chemicals policy in Brussels and the four member states. We also won a contract from IBM helping them to promote their traffic congestion solution to the Los Angeles County Metropolitan Transportation Authority.

Huntsworth Health

Huntsworth Health accounts for 26% of Group revenues. Average annualised fees per client brand were £96,000, the top client brand provides 0.9% of total Group revenue and the top 10 client brands 5.9%.

In 2008 the recent US acquisitions successfully adapted to the Huntsworth Group profit culture, with Huntsworth Health margins improving to 21.1% to give organic profit growth of 14%.

Huntsworth Health's global operations comprise some 400 healthcare specialists providing services in analytics, marketing communications, medical communications, public relations, advertising and sales training. Our strategy is to focus on the high science 'evidence-based' communications through our scientifically qualified and experienced staff. We continue to see a market shift towards niche, specialist brands, which plays strongly into our high-science, high creativity focus with our core areas of marketing and medical communications growing revenues organically by 15% and 10% respectively.

We responded to our clients' increasing demands for pan-European campaigns, with assignments at double the level of the previous year, by opening an office in Basel where a number of major pharmaceutical companies are based.

Our advertising activities which account for 23% of divisional revenues were down 12% on an organic basis, impacted by the pharmaceutical industry's shift away from advertising to more evidence-based communications activities.

We have also benefitted from our own highly successful digital operations as clients switched from conventional advertising to digital media, evidenced by a very significant contract from Wyeth, one of the world's leading pharmaceutical companies, which we expect to be worth US$10 million over the next four years.

Organic revenue declines of 38% were seen in our sales training company, which represents 8% of the division's revenues. This was due to a management issue which has now been rectified and this business is showing good sales momentum and is expected to return to growth in the second half of 2009.

Balance Sheet

Our balance sheet continues to be strong. Net debt to EBITDA is at a ratio of 1.1 times with interest cover of 6.7 times. We have £82.5m of loan facilities available to July 2012, reducing from £90m in 2010 and £87m in 2011. This currently leaves us with over £50m of working headroom. Deferred consideration commitments are very manageable in the context of our profits and facilities with 82% of profits expected to be free from earn-out by the end of 2009. We expect the Group to have net debt in single digits and be earn-out free by the end of 2012 assuming profits at current levels and no further acquisitions. Cash conversion remains a priority with a conversion rate of 110% in 2008.

Our proposed final dividend is up 8.1% to 2.0p (2007: 1.85p) with the total dividend up 8.0% to 2.7p (2007: 2.5p).

Creative Excellence

Our talent pool, best practice systems and commitment to quality ensure we achieve creative excellence for our clients. We have won a number of major industry awards which are a public recognition of that achievement.

Trimedia, our full service network in 11 European countries, topped another successful year by winning two major industry accolades, Best European Public Relations Company in the Excellence Awards as judged by leading in-house practitioners and Best Multinational Company to Work For in The Holmes Report Sabre Awards on a poll of staff across all companies in our peer group. Other awards included an accolade from client Microsoft who voted Trimedia's work as the best in the CEMEA region.

Trimedia's sister agency M*m*d was delighted to receive the award for Best EMEA Public Affairs consultancy 2008 by the prestigious Holmes Report.

Grayling won a PRCA award for its work on behalf of the Honey Association.

The Red Consultancy won many high-profile awards including PR Week Best Public Sector Campaign for the second successive year as well as being named Media Employer of the Year for its outstanding approach to people retention and development.

Both Trimedia and The Red Consultancy were awarded Best Companies To Work For 2009 in the Sunday Times rankings.

Citigate has enjoyed numerous successes throughout the year including a Sabre Award for client AXA which won Best UK and Ireland Public Relations Campaign and Best Corporate Communications Campaign in the CIPR Excellence Awards for client MoneyExpert.com.

Huntsworth Health has also been recognised within the healthcare industry including five Awards of Excellence at the RX Club Awards in the USA and five Finalist places at the Communique Awards in UK. Their Aggrenox e-learning campaign for Boehringer Ingelheim won Gold at the Hermes Creative Awards in the USA and an Award of Distinction at the Communicator Awards.

Executive 2008 bonus waiver

The Executive Directors have waived their entitlement to a cash bonus in 2008 and are thus eligible to be considered for awards over shares vesting in 2011 and 2012. It is considered that any such awards would further align their interests with shareholders in these difficult markets. The full amount of the 2008 bonus entitlement is accounted for in 2008.

Outlook

Whilst our outlook for 2009 remains cautious, the year has started well with over 78% of 2009 Group revenues already committed. The new business pipeline and pitch activity remain strong. With a high level of visibility of revenues we retain considerable flexibility to maintain margins through the careful management of variable costs.

With the strength of our brands across the world and good visibility of revenues, the Board has confidence that the Group is very well positioned for 2009 and beyond.

Peter Chadlington
Chief Executive
23 March 2009

REVIEW OF FINANCIAL RESULTS

SUMMARY OF FINANCIAL RESULTS

	2008 £'m	Organic growth	2007 £'m	Organic growth
Revenue				
Public Relations	118.2	4.9%	122.1	13.0%
Huntsworth Health	41.1	(0.8)%	30.4	(3.4)%
Eliminations	(0.2)		(0.2)	
Total operations	159.1	3.3%	152.3	8.1%
Operating Profit		**Margin**		**Margin**
Public Relations	24.8	21.0%	25.8	21.1%
Huntsworth Health	8.7	21.1%	6.3	20.6%
Total operations	33.5	21.0%	32.1	21.0%
Central costs	(7.2)		(7.9)	
Underlying profit	26.3	16.5%	24.2	15.9%
Operating highlighted items	(1.5)		(8.3)	
Reported operating profit	24.8		15.9	
Adjusted basic EPS	8.5p		7.9p	
Reported basic EPS	4.8p		5.9p	

Introduction

All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation of intangible assets, profit on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net restructuring and other non-recurring items.

Organic growth is based on revenues at actual exchange rates, adjusted to include pre-acquisition revenues and exclude disposals.

Revenue and Profits

Group revenue for the year ended 31 December 2008 increased by 4.5% to £159.1m (2007: £152.3m). On a constant currency basis, which excludes the impact of the recent strengthening of the euro and US dollar against sterling, revenue was down 1.9% compared with last year.

Revenues grew organically from our Public Relations businesses by 4.9% and Huntsworth Health was down 0.8% giving overall organic revenue growth of 3.3%.

Group operating profits before central costs were up 4.4% at £33.5m (2007: £32.1m).

Group operating margin before central costs was 21.0% (2007: 21.0%) reflecting a 21.0% margin for Public Relations businesses and 21.1% for Huntsworth Health.

Operating margin after central costs was 16.5% (2007: 15.9%).

Operating profit after central costs for the year was up 8.7% to £26.3m (2007: £24.2m) – down 0.3% at constant currency.

Profit before tax was increased by 9.9% to £24.0m (2007: £21.9m).

Highlighted Items

Operating highlighted items of £1.5m include £5.0m for the amortisation of intangible assets and £0.6m for non-cash, share-based acquisition payments deemed as remuneration, offset by £4.1m for the profit on the disposal of subsidiaries which principally comprises CapitalBridge (£2.2m) and the release of provisions and accruals in respect of prior year disposals (£1.8m).

After these highlighted items, statutory reported operating profit was up 56.2% to £24.8m (2007: £15.9m).

Total highlighted items of £3.9m include £2.4m for the impairment of the Group's investment in associates.

Tax

The tax charge of £10.1m comprises an underlying tax charge of £6.3m together with a charge of £3.8m on highlighted items. The full year underlying tax rate is 26.1%. The tax charge of £3.8m in highlighted items includes a charge of £6.2m on the disposal of CapitalBridge.

Earnings

Profits attributable to ordinary shareholders rose 9.9% to £17.4m (2007: £15.8m). Profits after highlighted items attributable to ordinary shareholders amounted to £9.8m (2007: £11.9m).

Basic earnings per share were up 7.6% to 8.5p (2007: 7.9p). Diluted earnings per share were 8.3p (2007: 7.8p). Basic earnings per share after highlighted items decreased by 18.6% to 4.8p per share (2007: 5.9p).

Dividends

After the exceptional increase in the final dividend in 2007 following the disposal of CapitalBridge, the Board will propose at the forthcoming AGM on 14 May 2009 a final dividend of 2.0p per share, in line with our progressive dividend policy, which will provide an increased total dividend of 2.7p, up 8.0% on 2007. The record date for this dividend will be 29 May 2009 and it is payable on 3 July 2009. A scrip dividend alternative will be available.

Balance Sheet and Cash flow

Net debt at 31 December 2008 has been reduced by £20.6m to £33.5m (2007: £54.1m).

Operating cash flow was £28.8m and cash conversion was 110%. This is before a £4.4m cash impact relating to highlighted items.

Other principal movements in net debt during the year were net payments for interest, tax and fixed assets of £10.0m, dividends received from associates of £2.1m, receipts from disposals of £14.4m (principally CapitalBridge), acquisitions and earn out payments of £9.4m, dividends of £4.7m and purchase of shares for share incentive schemes of £0.2m.

The Group's bank facilities comprise a revolving credit facility and a committed overdraft totalling £90 million to July 2010 with £87 million continuing until July 2011 and £82.5m until July 2012 as our term loan is repaid. Net debt to EBITDA was at a ratio of 1.1 times at 31 December 2008 and interest cover (excluding highlighted items and imputed interest) was 6.7 times (2007: 5.4 times).

Earn-out Payments

Future earn-out payments as at 31 December 2008 are estimated at £18.5m, all of which can be paid in cash. The timing of these payments is £3.1m in 2009, £3.0m in 2010 and £12.4m in 2011. If we satisfy all earn-outs in cash and continue a progressive dividend policy, the Group would expect to have net debt in single digits and be earn-out free by the end of 2012.

Notes to Editors:

1. Huntsworth PLC is an international public relations group with 69 principal offices in 29 countries. During 2008 the Group worked for over 2,500 clients and provided services to 49 companies in the FTSE 100, 101 in the Fortune 500, 111 in the Eurotop 300 and 39 of the world's 50 largest healthcare companies.

2. The Group comprises some of the world's leading public relations agencies including Citigate Dewe Rogerson, Grayling, Hudson Sandler, Red, Trimedia and M*m*d. At 31 December 2008 the Group employed c.1,650 staff with an average fee income per head of £93,000.

3. Group revenue comprises the following key areas of activity: Corporate Communications and Public Affairs accounts for 29%; Consumer and B2B work accounts for 25% of Group revenue; Financial Non deal led public relations work is 13%; Financial deal led public relations is 2%; Huntsworth Health is 26% and other activities are 5%.

4. By industry sector the revenue profile is broadly 26% Pharmaceuticals, 13% Financial Services, 10% Information Technology, 6% Food & Drink, 6% Industrial, 6% Government & Public Sector and 6% Retail & Leisure.

5. Geographically, 44% of Group revenue was from the UK, 26% from the US, 26% from European countries and 4% from the Rest of the World. Operating margins for the twelve months to 31 December 2008 were 23.4% in the UK, 18.4% in Europe, 18.8% in the US and 26.9% in the Rest of the World.

6. The Group now represents 285 clients in more than one country and 428 are served by more than one company. The largest client represents 1.1% of revenue with the top 10 clients accounting for 7.8% and the top 25 clients 14.8%. Average fee income per client was £53,000 and 30.6% of revenues were networked through companies working together with other group companies.

7. Shareholdings of Directors, employees and employee trusts represent approximately 19% of the Group's issued share capital. Institutional shareholdings hold 73% with the top 10 holding some 64% as of 11 March 2009.

Consolidated Income Statement

for the year ended 31 December 2008

		2008			2007		
	Notes	**Before highlighted items £000**	**Highlighted items (Note 5) £000**	**Total £000**	Before highlighted items £000	Highlighted items (Note 5) £000	Total £000
Turnover		**209,870**	**—**	**209,870**	202,318	—	202,318
Revenue	4	**159,132**	**—**	**159,132**	152,271	—	152,271
Operating expenses		**(132,814)**	**(1,501)**	**(134,315)**	(128,052)	(8,345)	(136,397)
Operating profit	4	**26,318**	**(1,501)**	**24,817**	24,219	(8,345)	15,874
Share of post-tax profit of associates		**2,373**	**(2,373)**	**—**	2,730	(2,716)	14
Profit before interest and taxation		**28,691**	**(3,874)**	**24,817**	26,949	(11,061)	15,888
Finance income	6	**385**	**—**	**385**	585	—	585
Finance costs	6	**(5,058)**	**—**	**(5,058)**	(5,673)	—	(5,673)
Profit before tax		**24,018**	**(3,874)**	**20,144**	21,861	(11,061)	10,800
Taxation (expense)/credit		**(6,262)**	**(3,823)**	**(10,085)**	(5,196)	6,974	1,778
Profit for the year		**17,756**	**(7,697)**	**10,059**	16,665	(4,087)	12,578
Attributable to:							
Parent company's equity shareholders		**17,395**	**(7,618)**	**9,777**	15,827	(3,938)	11,889
Minority interests		**361**	**(79)**	**282**	838	(149)	689
		17,756	**(7,697)**	**10,059**	16,665	(4,087)	12,578

Earnings per share

		2008	2007
Basic – pence	8	**4.8**	5.9
Diluted – pence	8	**4.7**	5.9
Adjusted basic – pence*	8	**8.5**	7.9
Adjusted diluted – pence*	8	**8.3**	7.8

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

Consolidated Balance Sheet

as at 31 December 2008

	Notes	**2008 £000**	2007 £000
Non-current assets			
Intangible assets	9	**258,857**	225,283
Property, plant and equipment		**5,605**	6,050
Investment in associates		**3,802**	4,849
Derivative financial assets	10(c)	**52**	107
Deferred tax assets		**3,844**	8,532
		272,160	244,821
Current assets			
Work in progress		**1,340**	963
Trade and other receivables		**45,666**	47,823
Corporation tax receivable		**1,679**	2,035
Derivative financial assets		—	74
Cash and short-term deposits	10(c), (d)	**13,774**	6,939
		62,459	57,834
Assets held for sale		—	12,825
Current liabilities			
Bank loans and overdrafts	10(c), (d)	—	(77)
Loan notes payable	10(c)	—	(1,137)
Obligations under finance leases	10(c)	**(242)**	(212)
Trade and other payables		**(51,783)**	(55,527)
Corporation tax payable		**(5,771)**	(5,664)
Provisions		**(6,750)**	(12,478)
		(64,546)	(75,095)
Non-current liabilities			
Bank loans and overdrafts	10(c)	**(46,172)**	(59,126)
Obligations under finance leases	10(c)	**(94)**	(270)
Provisions		**(18,544)**	(12,853)
Trade and other payables		**(313)**	(256)
Derivative financial liabilities	10(c)	**(818)**	(361)
Deferred tax liabilities		**(3,879)**	(6,163)
		(69,820)	(79,029)
Liabilities held for sale		—	(918)
Net assets		**200,253**	160,438
Equity			
Called up share capital		**106,006**	105,000
Share premium account		**23,760**	23,620
Merger reserve		**51,122**	50,866
Foreign currency translation reserve		**33,279**	(641)
Hedging reserve		**(752)**	(276)
Investment in own shares		**(5,965)**	(5,427)
Retained earnings		**(8,196)**	(14,664)
Equity attributable to equity holders of the parent		**199,254**	158,478
Minority interests		**999**	1,960
Total equity		**200,253**	160,438

Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Cash inflow from operating activities			
Cash inflow from operations	10(a)	**24,471**	25,230
Interest paid		**(4,309)**	(4,723)
Interest received		**411**	464
Cash flows from hedging activities		—	(411)
Corporation tax paid		**(4,323)**	(4,524)
Net cash inflow from operating activities		**16,250**	16,036
Cash outflow from investing activities			
Acquisitions of subsidiaries		**(6,593)**	(26,238)
Repayment of loan notes issued as acquisition consideration		**(1,137)**	—
Disposal of subsidiaries		**13,979**	3,077
Acquisition of minority interest		**(2,517)**	—
Cost of internally developed intangible assets		**(240)**	—
Purchases of property, plant and equipment		**(1,628)**	(2,121)
Proceeds from sale of property, plant and equipment		**56**	84
Proceeds from sale of associates		**231**	3
Dividends received from associates		**2,114**	1,682
Net cash acquired with subsidiaries		—	(477)
Net overdraft/(cash) disposed of with subsidiaries		**154**	(558)
Net cash inflow/(outflow) from investing activities		**4,419**	(24,548)
Cash inflow from financing activities			
Proceeds from issue of ordinary shares		**20**	367
Purchase of own shares		**(216)**	(1,771)
Repayment of finance lease liabilities		**(249)**	(165)
Net (repayment)/drawdown of borrowings		**(13,055)**	9,967
Dividends paid to minority interests		**(14)**	(74)
Dividends paid to shareholder of acquired business		**(321)**	(321)
Dividends paid to equity holders of the parent		**(4,708)**	(3,209)
Net cash (outflow)/inflow from financing activities		**(18,543)**	4,794
Increase/(decrease) in cash and cash equivalents		**2,126**	(3,718)
Movements in cash and cash equivalents			
Increase/(decrease) in cash and cash equivalents		**2,126**	(3,718)
Effects of exchange rate fluctuations on cash held		**4,786**	255
Cash and cash equivalents at 1 January		**6,862**	10,325
Cash and cash equivalents at 31 December	10(c), (d)	**13,774**	6,862

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December 2008

	2008 **£000**	2007 £000
Movement in financial instruments	**(476)**	(276)
Tax recognised directly in equity	**463**	78
Currency translation on disposal of subsidiaries	**760**	(31)
Currency translation differences	**33,160**	3,060
Net income recognised directly in equity	**33,907**	2,831
Profit for the year	**10,059**	12,578
Total recognised income for the year	**43,966**	15,409
Attributable to:		
- Equity holders of the company	**43,684**	14,720
- Minority interests	**282**	689
	43,966	15,409

Notes to the preliminary consolidated financial statements

for the year ended 31 December 2008

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 1985. On 20 March 2009 the consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the directors, and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory accounts for the year ended 31 December 2007 have been filed with the Registrar of Companies. The auditors' reports on the financial statements for the years ended 31 December 2008 and 2007 are unqualified and do not contain any statement under Section 237 (2) or (3) of the Companies Act 1985.

The annual financial information presented in this preliminary announcement for the year ended 31 December 2008 is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2008. This preliminary announcement does not constitute statutory accounts of the Group within the meaning of Section 240 of the Companies Act 1985.

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

2. Accounting policies

The preliminary consolidated financial statements have been prepared in accordance with the accounting policies of the Group which are set out on pages 42 to 46 of the 2007 Annual Report and Accounts.

3. Acquisitions and disposals

i) Acquisitions

A) GRAYLING INTERNATIONAL LIMITED MINORITY INTEREST

On 14 March 2008, the Group purchased an additional stake of 20% of the issued share capital of Grayling International Limited for cash consideration of £2,398,000, taking the Group's overall shareholding in the company to 90%. This resulted in a reduction of minority interests in the balance sheet of £1,103,000 and additional goodwill being recognised of £1,295,000.

B) HUNTSWORTH FINANCIAL GROUP LIMITED MINORITY INTEREST

On 6 May 2008, the Group purchased the remaining stake of 8% of the share capital of Huntsworth Financial Group Limited, for cash consideration of £102,000, taking the Group's overall shareholding in the company to 100%.

ii) Disposals

A) BACHLER

On 1 February 2008, the Group sold its 35% investment in Bachler & Partners Crisis and Security Consulting GmbH for cash consideration of €300,000 (£231,000).

B) CAPITALBRIDGE

On 20 February 2008, the Group sold the business and substantially all of the assets, properties and rights of CapitalBridge Inc. and CapitalBridge Limited, and the entire issued share capital of Citigate Data Consulting Limited and CapitalBridge (Pty) Limited (all together 'CapitalBridge') to Ipreo for US $31.7 million before costs of $2.0 million (approximately £16.3 million and £1.0 million respectively). CapitalBridge was the Group's non-core shareholder identification, analytics and investor relations technology business. The assets and liabilities of CapitalBridge were classified as held for sale as at 31 December 2007. The disposal generated profit before tax of £2.2 million and a tax expense of £6.2 million.

C) GCG MADRID

On 1 July 2008, the Group sold its 100% investment in Huntsworth Financial Global Consulting Group, S.L.U. for nil consideration.

Notes to the preliminary consolidated financial statements

for the year ended 31 December 2008

4. Segmental analysis

Business segments

The Group's primary reporting segment is business divisions which corresponds with the way the operating businesses are organised and managed within the Group and its secondary segment is geographical origin. The following tables analyses the results by business segment.

2008	Public Relations £000	Huntsworth Health £000	Group items £000	**Total £000**
Revenue				
External	118,039	41,093	—	**159,132**
Intra-group eliminations	214	—	(214)	—
Segmental revenue	118,253	41,093	(214)	159,132
Operating profit				
Segment operating profit before highlighted items	24,779	8,687	—	**33,466**
Unallocated expenses	—	—	(7,148)	**(7,148)**
Operating profit before highlighted items	24,779	8,687	(7,148)	**26,318**
Highlighted items – operating expenses	(1,302)	(2,030)	1,831	**(1,501)**
Operating profit				**24,817**
Share of profit of associates	2,373	—	—	**2,373**
Highlighted items – impairment of investment in associates	(2,373)	—	—	**(2,373)**
Profit before interest and taxation				**24,817**
Net finance costs				**(4,673)**
Profit before tax				**20,144**
Taxation				**(10,085)**
Profit for the year				**10,059**

Unallocated expenses comprise central head office costs.

Notes to the preliminary consolidated financial statements

for the year ended 31 December 2008

4. Segmental analysis continued

Business segments continued

2007	Public Relations £000	Huntsworth Health £000	Group items £000	**Total £000**
Revenue				
External	121,843	30,428	—	**152,271**
Intra-group eliminations	236	—	(236)	**—**
Segmental revenue	122,079	30,428	(236)	**152,271**
Operating profit				
Segment operating profit before highlighted items	25,770	6,281	—	**32,051**
Unallocated expenses	—	—	(7,832)	**(7,832)**
Operating profit before highlighted items	25,770	6,281	(7,832)	**24,219**
Highlighted items – operating expenses	(6,391)	(1,954)	—	**(8,345)**
Operating profit				**15,874**
Share of profit of associates	2,730	—	—	**2,730**
Highlighted items – impairment of investment in associates	(2,716)	—	—	**(2,716)**
Profit before interest and taxation				**15,888**
Net finance costs				**(5,088)**
Profit before tax				**10,800**
Taxation				**1,778**
Profit for the year				**12,578**

Notes to the preliminary consolidated financial statements

for the year ended 31 December 2008

4. Segmental analysis continued

Geographical segments

The table below represents revenue and operating profit before highlighted items by geographical origin (the analysis by geographical destination is not materially different to that by origin).

	2008 £000	2007 £000
Revenue		
United Kingdom	**70,861**	71,750
Other European	**42,033**	38,408
USA	**40,592**	37,591
Rest of World	**5,860**	4,758
Eliminations	**(214)**	(236)
Total	**159,132**	152,271
Operating profit before highlighted items		
United Kingdom	**16,554**	15,610
Other European	**7,722**	8,091
USA	**7,616**	6,996
Rest of World	**1,574**	1,354
Segment operating profit before highlighted items	**33,466**	32,051
Unallocated expenses	**(7,148)**	(7,832)
Operating profit before highlighted items	**26,318**	24,219
Highlighted items – operating expenses	**(1,501)**	(8,345)
Operating profit	**24,817**	15,874

Notes to the preliminary consolidated financial statements

for the year ended 31 December 2008

5. Highlighted items

The following highlighted items have been recognised in arriving at profit before tax:

	2008 £000	2007 £000
Charged to operating profit		
Amortisation of intangible assets	**5,026**	5,962
(Profit)/loss on disposal of subsidiaries	**(4,147)**	1,877
Acquisition payments to employees deemed as remuneration	**616**	468
Net restructuring and other non-recurring costs	**6**	38
	1,501	8,345
Charged to profit before tax		
Impairment of investment in associates	**2,373**	2,716
	3,874	11,061

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.

Profit/loss on disposal of subsidiaries

The profit on disposal of subsidiaries principally arises from the sale of the CapitalBridge business to Ipreo (£2.2 million) (Note 3) and the release of provisions for indemnities and accruals on previous disposals that are no longer required (£1.8 million). The loss in 2007 related to the disposal of the Citigate Broadstreet events business.

Acquisition payments to employees deemed to be remuneration

Certain payments of consideration to non-shareholding employees of acquired businesses under arrangements set up prior to acquisition are deemed to be remuneration in the post-acquisition period. These costs will cease once the relevant earn-outs have been settled. This remuneration is not payable to the individuals concerned until the end of the earn-out period. In the meantime, the related assets and liabilities are held in a separately managed fund within the Group. The balance on the fund is included in other debtors.

Net restructuring and other non-recurring costs

Net restructuring and other non-recurring costs comprise expenses relating to the integration and restructuring of businesses within the Group together with certain other non-recurring costs. In 2008, the balance related to the cost of certain restructuring across the Group (£0.8 million), offset by the release of surplus reorganisation provisions (£0.8 million). In 2007, the balance principally represents costs of restructuring the Group’s healthcare businesses (£0.6 million) and its operations in Italy and Spain (£0.5 million), together with other non-recurring costs (£0.5 million), offset by the release of surplus provisions (£1.6 million), principally relating to vacant property, which had been successfully sublet.

Impairment of investment in associates

On 15 February 2006 the Company announced that it had reached an agreement to sell Citigate Sard Verbinnen (‘CSV’) by the end of 31 December 2009. Under the sale agreements, 51% was acquired by certain executives of CSV on 5 January 2007 and the remaining 49% will be acquired no later than 31 December 2009 for a fixed amount.

Following the sale the company has been accounted for as an associated undertaking from 1 January 2007. Consequently all profits recognised subsequently are matched by an equal and opposite impairment of the Group’s investment in the entity.

Notes to the preliminary consolidated financial statements

for the year ended 31 December 2008

6. Finance costs and income

	2008 £000	2007 £000
Bank interest payable	**4,241**	4,699
Loan note interest	**5**	33
Finance lease interest	**37**	27
Financial instruments	**32**	314
Imputed interest on property provisions	**202**	194
Imputed interest on deferred consideration	**541**	406
Finance costs	**5,058**	5,673
Bank interest receivable	**(132)**	(283)
Other interest receivable	**(253)**	(302)
Finance income	**(385)**	(585)
Net interest payable	**4,673**	5,088

7. Dividends

	2008 £000	2007 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2006 – 1.3 pence	—	2,649
Interim dividend for the year ended 2007 – 0.65 pence	—	1,363
Final dividend for the year ended 2007 – 1.85 pence	**3,825**	—
Interim dividend for the year ended 2008 – 0.7 pence	**1,459**	—
	5,284	4,012

Shareholdings under the Group's Employee Benefit Trust of 3,279,805 and 3,673,651 shares waived their rights to the 2007 final and 2008 interim dividends respectively (2007: 5,138,154 and 5,430,960 respectively).

A final dividend of 2.0 pence per share has been proposed for approval at the Annual General Meeting in 2009 and has not been recognised as a liability at 31 December 2008.

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2008

8. Earnings per share

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

	2008		2007	
	Earnings £000	**Weighted average number of shares 000's**	Earnings £000	Weighted average number of shares 000's
Basic	**9,777**	**205,034**	11,889	200,957
Diluted	**9,777**	**208,613**	11,889	202,432
Adjusted basic	**17,395**	**205,034**	15,827	200,957
Adjusted diluted	**17,395**	**208,613**	15,827	202,432

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

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

Adjusted earnings per share is calculated in order to provide information to shareholders about 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:

	2008 £000	2007 £000
Earnings:		
Profit for the year attributable to parent company's shareholders	**9,777**	11,889
Highlighted items (net of tax) attributable to the parent company's shareholders	**7,618**	3,938
Adjusted earnings	**17,395**	15,827

	2008 000's	2007 000's
Number of shares:		
Weighted average number of ordinary shares – basic and adjusted	**205,034**	200,957
Effect of share options in issue	**3,579**	1,401
Effect of deferred contingent consideration	—	74
Weighted average number of ordinary shares – diluted	**208,613**	202,432

Notes to the preliminary consolidated financial statements
for the year ended 31 December 2008

9. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Software development costs £000	Total £000
Cost					
At 1 January 2008	21,446	17,373	213,807	—	252,626
Arising on acquisitions in the year	—	—	1,359	—	1,359
Adjustment to prior year acquisitions	49	—	6,189	—	6,238
Capitalised development costs	—	—	—	240	240
Exchange differences	3,721	2,941	29,495	25	36,182
At 31 December 2008	**25,216**	**20,314**	**250,850**	**265**	**296,645**
Amortisation and impairment charges					
At 1 January 2008	5,364	10,364	11,615	—	27,343
Charge for the year	1,050	3,976	—	21	5,047
Exchange differences	989	1,948	2,459	2	5,398
At 31 December 2008	**7,403**	**16,288**	**14,074**	**23**	**37,788**
Net book value at 31 December 2008	**17,813**	**4,026**	**236,776**	**242**	**258,857**
Net book value at 31 December 2007	16,082	7,009	202,192	—	225,283

Brands and customer relationships are being amortised over their useful economic lives of between 3 and 20 years. Details of acquisitions made during the period are set out in Note 3.

Adjustments to goodwill on prior year acquisitions represent changes to contingent deferred consideration payable.

10. Cash flow analysis

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

	2008 £000	2007 £000
Operating profit	**24,817**	15,874
Depreciation	**2,467**	2,355
Share option charge	**1,335**	2,628
Loss on disposal of property, plant and equipment	**19**	9
Amortisation of intangible assets	**5,047**	5,962
(Profit)/loss on disposal of subsidiaries	**(4,147)**	1,877
(Increase)/decrease in work in progress	**(195)**	1,922
Decrease/(increase) in debtors	**8,774**	(1,153)
Decrease in creditors	**(10,627)**	(1,019)
Decrease in provisions	**(3,019)**	(3,225)
Net cash inflow from operations	**24,471**	25,230

Net cash inflow from operations is analysed as follows:

	2008 £000	2007 £000
Before highlighted items	**28,824**	29,657
Highlighted items	**(4,353)**	(4,427)
Net cash inflow from operations	**24,471**	25,230

Notes to the preliminary consolidated financial statements

for the year ended 31 December 2008

10. Cash flow analysis continued

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

	Note	2008 £000	2007 £000
Increase/(decrease) in cash and cash equivalents in the year		**2,126**	(3,718)
Cash outflow/(inflow) from movements in debt		**13,055**	(9,967)
New derivative financial instruments		—	212
Loan notes repaid		**1,137**	—
Repayment of capital element of finance leases		**249**	165
Change in net debt resulting from cash flows		**16,567**	(13,308)
Finance leases acquired with subsidiaries		—	(497)
Loan notes issued as acquisition consideration		—	(1,137)
Amortisation of loan fees		**(101)**	(89)
Movement in fair value of derivative financial instruments		**(512)**	(466)
Translation differences	10(c)	**4,683**	251
Decrease/(increase) in net debt		**20,637**	(15,246)
Net debt at beginning of year		**(54,137)**	(38,891)
Net debt at end of year		**(33,500)**	(54,137)

(c) Analysis of net debt

2008	1 January 2008 £000	Cash flow £000	Non-cash movements £000	Foreign exchange £000	31 December 2008 £000
Cash and short-term deposits	6,939	2,044	—	4,791	**13,774**
Bank loans and overdrafts (current)	(77)	82	—	(5)	—
Net cash and cash equivalents	6,862	2,126	—	4,786	**13,774**
Bank loans and overdrafts (non-current)	(59,126)	13,055	(101)	—	**(46,172)**
Derivative financial assets	107	—	(55)	—	**52**
Derivative financial liabilities	(361)	—	(457)	—	**(818)**
Obligations under finance leases	(482)	249	—	(103)	**(336)**
Loan notes payable	(1,137)	1,137	—	—	—
Net debt	(54,137)	16,567	(613)	4,683	**(33,500)**

(d) Cash and cash equivalents

	2008 £000	2007 £000
Cash and short-term deposits	**13,774**	6,939
Bank loans and overdrafts (current)	—	(77)
Cash and cash equivalents	**13,774**	6,862

11. Contingent liabilities

Under the terms of certain acquisition agreements, additional consideration is payable by the Company and certain of its subsidiary undertakings contingent on the future financial performance of the acquired entities. The estimated amount of such contingent consideration is included in ‘Provisions’.

12. Key risks and uncertainties

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.

Notes to the preliminary consolidated financial statements

for the year ended 31 December 2008

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 subsidiaries, associates, and with directors and executive officers.

Transactions with associated undertakings

During the year the Group and its associate Sard Verbinnen LLC carried out work on behalf of each other's clients. Aggregate amounts included in turnover and cost of sales in the consolidated income statement in respect of transactions with associates were £257,000 and £42,000 respectively (2007: £465,000 and £42,000). At 31 December 2008, there was a net trading balance due from associates of £71,000 (2007: £372,000 due from associates).

14. Post balance sheet events

Subsequent to the year end, on 17 February 2009, the Group acquired the entire share capital of Momentum International Limited, a public relations consultancy based in Dubai, for an initial consideration of US$2,800,000 (£2,000,000) in cash. Deferred consideration will be payable, with an interim cash payment based on profits for the year ended 31 December 2009. A final payment based on profits for the four years to 31 December 2011 will be payable in cash or shares at Huntsworth's option. The maximum total consideration payable is US$12,000,000 (£8,400,000). The final payment multiple will be based on the lower of the revenue or earnings growth. In order to generate a payment at the level of the cap, the average growth would need to be in excess of 50% per annum.

15. Directors' Responsibility Statement

The Annual Report and Accounts comply with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority in respect of the requirement to produce an annual financial report.

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

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

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

Peter Chadlington
Group Chief Executive

Tymon Broadhead
Group Finance Director