HUNTSWORTH

Huntsworth PLC

Audited preliminary results for the year ended 31 December 2009

Robust financial performance, improving trend in new business
Repositioned for Growth

Huntsworth PLC, the global public relations and healthcare communications group, today announces its preliminary results for the year ended 31 December 2009.

Financial Highlights[1]

- Revenue at £156.3 million (2008: £159.1 million)
- 72% of annual revenues committed for 2010
- Organic[2] revenue decline of 4.7%
- Operating margin before central costs maintained over internal target at 20.3% (2008: 21.0%)
- Post central costs margin at 14.8% (2008: 16.5%)
- Profit before tax at £23.4 million (2008: £24.0 million)
- Basic earnings per share of 8.2p (2008: 8.5p)
- Proposed final dividend up 7.5% to 2.15p giving a total dividend up 7.4% to 2.90p (2008: 2.70p)
- Cash flow from operating activities of £28.5 million, representing a cash conversion of 123% (2008: 110%)
- Net debt of £49.0 million (2008: £33.5 million)
- Continuing net debt/EBITDA of 1.3 times with interest cover of 21 times

Financial results after highlighted items

- Loss before tax after highlighted items of £9.8 million (2008: profit of £20.1 million)
- Basic loss per share after highlighted items of (4.2p) (2008: earnings per share 4.8p)

Operational Highlights

- Improving trend from Q3 in terms of new business wins and revenue growth
- Strategic rebranding into 4 key brands completed on budget and on time
- Grayling now pitching for global mandates and already starting to win larger remits
- Multi-office network revenues up 21%, an early result from the strategic branding initiative
- Dutko, acquired in December 2009, performing in line with expectations and providing strong base for global public affairs expansion
- Group repositioned to take advantage of economic upturn and larger revenue remits

Notes:

1. All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation and impairment of intangible assets, profit/loss on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net restructuring and other non-recurring items including rebranding costs in 2009.
2. Organic revenues are at actual exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals or closures made in the period.

Peter Chadlington, Chief Executive of Huntsworth, said [1]:

”I am pleased to report that 2009 has proved to be another robust period of trading for the Huntsworth Group. During the height of the global financial crisis, profit before tax and basic earnings per share were broadly in line with our previous record results in 2008. The group has also continued to deliver operating margins of over 20% which is clear evidence of the strength and flexibility of our model.

Despite the undeniable impact of the downturn on our markets, Huntsworth has made considerable progress in the year to position the business for the medium term. The strategic branding initiative has been completed and the early client reaction is very encouraging. Multi-office business is up by 21% during the year and we are well placed to win further global mandates during 2011, in line with our target. The acquisition of Dutko Worldwide has significantly advanced our public affairs capability. In addition, we have strengthened the Board and introduced a new strategic investor.

We commented in the last Interim Management Statement that the economy in which the Group was trading was significantly better than at the start of 2009. With net new business wins up 108% in January on the previous year and a strong final quarter to 2009, we believe this recovery trend has continued and that the Huntsworth portfolio is well placed to benefit from it. As the early results of our growth initiatives are beginning to show, we look forward to another successful year. "

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A presentation to analysts will take place at 10.30am on 24 February 2010 at the offices of Numis Securities Limited, 5th Floor, 10 Paternoster Square, London, EC4M 7LT.

Notes:

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2. Organic revenues are at actual exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals or closures made in the period.

CHIEF EXECUTIVE'S STATEMENT

Overview [1]

- Revenue down 1.8% against backdrop of financial crisis and Huntsworth record year
- Organic[2] revenue decline of 4.7%
- Profit before tax and EPS in line with last year
- Operating margins pre central costs over internal 20% target
- Proposed final dividend gives 7.4% increase for full year
- Strategic branding initiative completed, winning larger multi-national clients
- New business activity up 27% in Q4 2009 and 108% in January 2010

Notes:

1. All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation and impairments of intangible assets, profit/loss on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net restructuring and other non-recurring items including rebranding costs in 2009.
2. Organic revenues are at actual exchange rates and are adjusted to include pre-acquisition revenues and exclude disposals or closures made in the period.
3. Proforma revenues are at actual exchange rates and are adjusted to include revenues from acquisitions and exclude disposals or closures made in the period.

Financial Summary

We are pleased to report another good set of annual results in line with market expectations. This is especially satisfying given the recessionary climate during the year. Reported revenues declined by 1.8% against what was a record year for the Group in 2008. On an organic basis, revenues declined by 4.7% in 2009.

We saw clients cutting budgets at the start of the year and move from retained to project revenues. However, our client retention remained solid over the whole year. Of committed revenues at the start of 2009, we lost only 1% through client churn during the year and all of our top 25 clients were retained from 2008. This high level of retained business helped us to maintain our key performance indicators. We achieved operating margins before central costs over our 20% target in 2009 and our cash conversion was 123% of profits, over our 100% target.

Our continued focus on conversion of operating profits into cash has ensured that the Group remains in a strong financial position, enabling us to maintain our progressive dividend policy and share buy back programme. We have proposed increasing the dividend by 7.4% for the full year to 2.90p. At a time when dividend payments in the market have been cut by 15% on average*, this extends our unbroken record of dividend increases since the Group's maiden payment in 2003. Our progressive dividend policy has generated an average annual increase of 14% since 2005.

In line with our expectations, the cash cost of our strategic branding initiative was £8.8 million. As anticipated, we have also written down the carrying value of certain brands by £9.1 million as we reduced our brand portfolio from 26 to 4.

** Capita Registrars Dividend Monitor, Feb 2010*

Clients and New Business Activity

In total, £37.6 million of net new business for 2009 was won during the year under review and we saw clients moving from retainers to project business (67% compared with 57% in 2008). This compares with £47.1 million of new business in the previous record year.

At the beginning of 2009 I remarked that the downturn had begun to have an effect on client budgets with revenue cuts in January and February producing an annualised £10 million revenue shortfall. As 2009 progressed, net new business gathered momentum as new wins returned to 2008 levels with 53% of these wins coming from existing clients. On the basis of the current period, we are seeing budgets increasing again in early 2010. In addition, early indications are that clients are returning to retainer contracts with 72% of revenues committed for 2010.

Looking at growth trends for the Group during the year in review, there is evidence of measured yet consistent progress from the third quarter with developing new business momentum. In the final quarter of 2009, net new business won was 27% ahead of the previous year and January 2010 was 108% higher. We are seeing these trends continue and we expect to return to organic revenue growth for the Group in 2010.

This activity is a clear indication of improving client confidence but it is also, we believe, linked to our developing scale and the changes made in our recent strategic branding initiative. Other indicators point to the same conclusion. As we enter 2010 we have started to see the return of financial transactions, which fell from 4% of Group revenues in 2007 to just 2% in 2009, across the globe including Europe, the USA and the Asia Pacific.

Digital continues to be a key focus for growth opportunities across the Group and it is integrated into all our work and client thinking. All four Huntsworth brands have dedicated digital resources and all digital businesses have dedicated clients (clients with discrete digital projects or mandates). Where we can identify pure digital revenues in dedicated agencies, this doubled in 2009 which gives an indication as to digital’s growing importance.

Strategic Branding Initiative

We successfully completed the move into our next phase of strategic development through the restructuring of the Group into four key brands. These comprise three public relations brands - Grayling, Citigate and Red - and one healthcare brand – Huntsworth Health. This restructuring was instigated with the clear objective of providing a seamless global service to our existing and prospective multi-national clients. We define global clients as those producing over £3 million per annum in combined fees to the Group. We already act for two in Huntsworth Health and our target is for the Group to win further global accounts during 2011.

We are delighted with the progress we are making. In particular, we have been invited to pitch for, and won, a number of clients which would have been beyond the scale of our Group companies prior to the rebranding exercise.

Within the new business numbers set out above, I am pleased to report multi-country wins for Grayling (the International Association of Animal Health Companies and Lloyds Private Banking) and significant wins for Huntsworth Health (Abbott Vascular, Bayer Women's Health, Ferring, Forrest Labs, Gilead, Novartis, PGx Health, Roche and Xenoport). In addition, Grayling has won a seven figure contract (details still to be finalised) which is due to become its largest client.

Outside of global clients, a key strategic milestone for the Group in this regard is multi-office revenues. Essentially this is the amount of our business, expressed in revenues, handled in more than two offices. Activity here increased by an impressive 21% in the year and now represents 33% of Group revenues compared with 27% in 2008 and 30% at the half year stage. Including our two global clients, global and multi-office revenues represented 38% of Group revenues at the end of the year compared with 31% in 2008.

These wins and multi-office activity give us confidence that the repositioning of the brands is being recognised by our clients. It remains our belief that this restructuring will enable us to successfully compete for more multinational mandates. This is an important step that will carry the Group into the next phase of its growth. Such is the impact of these mandates that the achievement of our target should see the Group doubling its historical revenue growth rates (circa 4%) in 2011.

We have invested £8.8 million of cash costs in this rebranding programme with associated non-cash impairments. As well as repositioning the Group, this exercise has led to certain staff and property cost efficiencies which will underpin margins as we grow in 2010 and beyond.

Public Relations

Public Relations (73% of Group revenues) saw an 8.8% revenue decline on an organic basis over the year. Average fee income per client was approximately £43,000 versus £49,000 in 2008. Operating margins before central costs remained strong at 20.1% compared with 21.0 % in 2008.

Grayling

Grayling, at circa 51% of proforma[3] Group revenues, is the world's second largest independent global public relations network. As such, it now competes directly with the public relations brands owned by multi-national advertising agencies as well as the larger US-based independents such as Edelman.

At the end of 2009 we acquired Dutko Worldwide (Dutko), a leading Washington-based public affairs and consulting agency. Public affairs now represents approximately one third of all Grayling's global activities by revenue. Dutko is performing in line with expectations and providing a strong base for global public affairs expansion.

Our new global brand is already bringing us opportunities from stronger new business activity including two early multi-national mandates. IFAH, the International Federation of Animal Health Companies, appointed us on a worldwide basis to undertake research and then support them in the development of a global communications strategy. Grayling won a four-way competitive pitch to secure this project. Lloyds Private Banking has appointed us to undertake a retained programme centred on Europe, the Middle East and Latin America. This builds on our existing and growing relationship with Lloyds TSB Group in the UK.

Whether by value or strategic importance, we have won a number of significant clients in recent weeks. This list includes: a multi-country programme for Homeaway and Netviewer; all of the corporate and consumer PR for Reckitt Benckiser in Germany; a London/Moscow programme for law firm Berwin Leighton Paisner; an extension of our work for Banque Mirabaud in Spain; and, an appointment from Eurometaux, the European Association of Ferrous Metal Producers. In Asia, we won Airbus and, in the UK, Accor Hotels and Construction Skills. We have won a seven figure contract (details still to be finalised) which is due to become Grayling's largest client.

Citigate

Citigate currently contributes 15% of group revenues on a proforma[3] basis. It is a leading international consultancy specialising in financial and corporate communications. It has expanded through Europe, Asia and the Middle East and is recognised as the market leader in global IPOs.

Citigate has a strong retainer base with recent client wins including EDF, Chaucer and China Real Estate Opportunities plc in the UK and Asia. In the biotech/pharma sector, Citigate has won mandates including US-based Amarin and Crescendo. Elsewhere, our breadth of expertise across multiple sectors is demonstrated by new wins such as ING

Investment Management, Santander, Halfords, Capital One, Park Resorts, the UK Innovation Investment Fund (UKIFF) and Rockwool. All Citigate's offices work for some of the world's biggest financial institutions, banks and asset managers. Our office in Paris has recently been appointed public relations advisers to Rothschild et Cie Gestion, the investment bank, asset and wealth manager.

Acknowledged as a leader in capital market transactions, Citigate has got off to an encouraging start this year despite the continued uncertainties across the financial markets with high profile transactions including advising on the merger of Yorkshire Building Society and Chelsea Building Society and acting for VT Group on both in its ongoing negotiations with Mouchel and the £1.3bn proposed offer from, and defence against, Babcock.

Deal flows have been sustained by our particularly strong position in emerging markets with recent wins including Petroneft and the Central Bank of Nigeria as well as advising on the $26 billion merger of Russia's VimpelCom and Norway's Telenor. Middle East revenues include the multi-billion dollar mergers between Qatar Navigation and Qatar Shipping and in the real estate sector, Alaqaria and Barwa Real Estate. In the media sector, we recently advised on Unitymedia's $5.2 billion sale to Liberty Global. Citigate in the Netherlands advised on the largest IPO in Western Europe, Delta Lloyd, and that of KKR Private Equity Investors. Citigate Hong Kong has just completed the IPO of CPIC, one of China's biggest insurance companies.

Red

The Red Consultancy (Red) represents 7% of group revenues on a proforma[3] basis. It is regarded by many seasoned industry observers as the country's best consumer agency. Red has evolved organically into a fast-growing multi-specialist agency with a strong emphasis on digital expertise and an expanding US operation. It is notable for the quality of its client list and for its outstanding record in winning over 70 campaign and agency awards since it was founded 15 years ago.

Red reported 14.0% organic growth in 2009. Trading remained strong during the whole year with good demand in the first and second halves of 2009. Major client wins last year included: Samsung where the brief spanned televisions to white goods; Sage; Novartis; Habitat; and, Pfizer where we won a Europe-wide assignment for the company's smoking cessation treatment Champix.

Demand for digital grew significantly in 2009 and for many clients it is now a regular aspect of communications briefs accounting for 10% of budgets.

Huntsworth Health

Huntsworth Health (27% of group revenues on a proforma[3] basis) grew by 6.5% on an organic basis. Average fee income per client was approximately £128,000 versus £96,000 in 2008. Operating margins before central costs were 20.9% compared with 21.1% last time.

Huntsworth Health provides consulting and communications services to the healthcare and well-being industry through all stages of the product life cycle. Huntsworth Health competes with the specialist healthcare communications divisions owned by multi-national advertising agencies as well as the larger US-based independents.

Our niche areas of medical communications and marketing communications achieved double digit growth in the year with digital in particular growing by 107%. We won new accounts at Abbott Vascular, PGx Health, and Xenoport expanding our therapeutic coverage in the cardiovascular surgery, gastroenterology, and anxiety/depression areas. Additionally we saw a return to growth in sales training in the second half of 2009 with business from Novartis, Ferring, Daiichi-Sankyo and Ortho McNeil Janssen.

During 2009, two parts of the division did not grow. Sales training suffered from a management issue which is now resolved and returned to growth in the second half. Advertising saw significant budget cuts but has started winning new clients in recent weeks including a new global assignment from Ipsen valued at more than $1 million.

Huntsworth Health won three mandates over $1 million and signed ten new master service agreements in the last quarter of 2009. Typically for larger relationships, a master service agreement is a contract which formalises agreed rates for services and anticipates incremental projects.

Digital plays directly to our strengths in healthcare communications and represented 13% of divisional revenues in the full year 2009. Given the continued rise of the e-patient phenomenon in the US and around the world, the healthcare sector generally has been an early adopter of digital communications techniques. Our digital activities in Huntsworth Health are ahead of our activities elsewhere and span insight gathering and strategy to web development and relationship marketing through to measurement and intelligence.

Our dedicated digital agencies in Huntsworth Health have signed a record 5 new interactive 'Agency of Record' assignments in recent months including those of Pfizer, Amgen, Shire and Novogyne. As 'Agency of Record', we are the lead agency for all things digital/interactive, usually on a retainer basis. In a couple of instances, we are also the lead consumer agency (ie digital and offline advertising combined) which is a comment on the importance certain healthcare clients place on digital in the context of their core brand marketing.

Creative Excellence

Our consultancy brands are justifiably proud of the results they achieve for clients and the creative excellence they apply to strategies and campaigns.

This continues to be recognised by leading independent authorities and professional institutes. In 2009 we were recognised in over 90 categories worldwide including 34 winners for excellence in some of the most prestigious awards around the globe.

These include Citigate winning the Best Financial Services Campaign category in the Sabre Awards for MoneyExpert.com, Grayling winning Best Regional Campaign for the launch of The Al Nassma Story in the Middle East, and Communications Campaign Of The Year In Europe from the Russia International Business Awards.

The Red Consultancy continues to dominate UK domestic awards winning Campaign Of The Year for Pfizer in the Communiqué Awards and Winner of the Technology category in the PRWeek awards for McAfee, and an additional award in the same category across Europe in the Sabre Awards.

In healthcare the teams were equally successful winning the Pharmaceuticals Standards Of Excellence award in the USA for the Best Website and the Best Customer Focus Campaign in the UK for Schering Plough.

Balance Sheet

The Group continues to operate well within the terms of its banking facilities with a net debt to continuing EBITDA ratio of 1.3 times (compared with a covenant of less than 3.0 times) and interest cover of 21 times (compared with a covenant of more than 4.0 times). Equally, our earn-out liabilities remain comfortably manageable within the context of our operating profits and banking facilities. Excluding acquisitions, we expect the Group to be earn-out free by 2013 with net debt less than £10 million at that point.

People

I would like to pay tribute to the efforts of all our staff. As a global public relations and healthcare communications group, our differentiated services, our ability to win business and our skills at servicing and retaining clients are direct comments on the quality of our people. This is especially the case in 2009 with our strategic branding initiative representing a significant reorganisation of the Group. We are delighted with the early progress from this exercise and recognise that the credit for this lies with the contributions from all our staff worldwide.

Outlook

Despite the undeniable impact of the downturn on our markets, Huntsworth has made considerable progress in the year to position the business for the medium term. The strategic branding initiative has been completed and the early client reaction is very encouraging. Multi-office business is up by 21% during the year and we are well placed to win further global mandates during 2011, in line with our target. The acquisition of Dutko Worldwide has significantly advanced our public affairs capability. In addition, we have strengthened the Board and introduced a new strategic investor.

We commented in the last Interim Management Statement that the economy in which the Group was trading was significantly better than at the start of 2009. With net new business wins up 108% in January on the previous year and a strong final quarter to 2009, we believe this recovery trend has continued and that the Huntsworth portfolio is well placed to benefit from it. As the early results of our growth initiatives are beginning to show, we look forward to another successful year.

Peter Chadlington
Chief Executive
24 February 2010

REVIEW OF FINANCIAL RESULTS

SUMMARY OF FINANCIAL RESULTS

	2009 £'m	Organic growth	2008 £'m	Organic growth
Revenue				
Public Relations	110.6	(8.8)%	118.2	4.9%
Huntsworth Health	45.8	6.5%	41.1	(0.8)%
Eliminations	(0.1)		(0.2)	
Total operations	156.3	(4.7)%	159.1	3.3%
Operating Profit		**Margin**		**Margin**
Public Relations	22.2	20.1%	24.8	21.0%
Huntsworth Health	9.6	20.9%	8.7	21.1%
Total operations	31.8	20.3%	33.5	21.0%
Central costs	(8.6)		(7.2)	
Underlying profit	23.2	14.8%	26.3	16.5%
Operating highlighted items	(31.1)		(1.5)	
Reported operating (loss) / profit	(7.9)		24.8	
Adjusted basic EPS	8.2p		8.5p	
Reported basic EPS	(4.2)p		4.8p	

Introduction

All results are stated before taking account of highlighted items unless otherwise stated. These comprise amortisation and impairment of intangible assets, profit/loss on disposal of subsidiaries, impairment of investment in associates, acquisition payments deemed as remuneration and net restructuring and other non-recurring items including rebranding costs in 2009.

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 2009 fell by 1.8% to £156.3 million (2008: £159.1 million). Against a challenging economic backdrop this was a solid performance. On a constant currency basis, which excludes the impact of the strengthening of the euro and US dollar against sterling, revenue was down 8.8% compared with last year.

Revenues grew organically from our Huntsworth Health businesses by 6.5% whilst Public Relations was down 8.8%, giving an overall organic revenue decline of 4.7%.

Group operating profits before central costs were down 4.9% at £31.8 million (2008: £33.5 million). However, our margin and bonus policies ensured the Group continued to report strong margins. Group operating margin before central costs was 20.3% (2008: 21.0%) which reflected a 20.1% margin for Public Relations businesses and 20.9% for Huntsworth Health.

Operating margin after central costs was 14.8% (2008: 16.5%). Central costs increased from £7.2 million in 2008 to £8.6 million in 2009, principally due to increased share incentive charges resulting from the higher share price during 2009 and one-off foreign exchange gains in 2008.

Operating profit after central costs for the year was down 11.8% to £23.2 million (2008: £26.3 million) – down 18.3% at constant currency.

Profit before tax decreased by 2.7% to £23.4 million (2008: £24.0 million).

Currency

The weakening of sterling over the past eighteen months has had a marked impact on the average exchange rates used to translate the Group's overseas results into sterling for 2008 and 2009. In 2009, the net translation impact of currency changes compared with the same period last year was to increase revenue by £11.0 million and trading profit by £1.8 million.

The Group has taken out protection to manage the translation risk from a strengthening of sterling on approximately half of its euro and US dollar denominated profits for 2010.

Highlighted Items

Operating highlighted items of £31.1m include £9.1 million for non-cash impairment of brands no longer used and £8.8 million of rebranding and restructuring cash costs in respect of the strategic rebranding.

Our strategic branding initiative has provided the Group with the ability to win global clients and represents a key opportunity for growth. We have reduced 26 brands to one healthcare brand and three public relations brands. The cash costs of £8.8 million include severance charges of £6.0 million, property costs of £1.5 million and rebranding costs of £1.3 million as a result of restructuring our teams and offices to align to the new structure. As a result of the brand rationalisation initiative, brands which are no longer used have been impaired to nil carrying value.

In addition to the strategic rebranding charges above, operating highlighted items include £4.8 million for the amortisation of intangible assets, £7.5 million for loss on disposal and liquidation of subsidiaries (principally the liquidation of the Group’s operations in Italy), of which £1.7 million were cash payments, and £0.8 million for non-cash, share-based acquisition payments deemed as remuneration.

Total highlighted items of £33.2 million include £2.1 million for the impairment of the Group’s investment in associates.

After these highlighted items, the statutory reported operating result was a loss of £7.9 million (2008: profit of £24.8 million).

Tax

The tax credit of £1.2 million comprises an underlying tax charge of £6.0 million together with a credit of £7.2 million on highlighted items. The full year underlying tax rate is 25.5% (2008: 26.1%). The highlighted items tax credit includes £4.9 million of non-cash items relating to the impairment of brands and amortisation of intangibles.

Earnings

Profits attributable to ordinary shareholders were £17.1 million (2008: £17.4 million). Losses after highlighted items attributable to ordinary shareholders amounted to £8.6 million (2008: profits of £9.8 million).

Basic earnings per share were 8.2p (2008: 8.5p). Diluted earnings per share were 8.0p (2008: 8.3p). Basic losses per share after highlighted items were 4.2p per share (2008: earnings per share of 4.8p).

Dividends

The Board has continued its progressive dividend policy and will propose at the forthcoming AGM a final dividend of 2.15p per share which will provide an increased total dividend of 2.90p, up 7.4% on 2008. The record date for this dividend will be 28 May 2010 and it is payable on 2 July 2010. A scrip dividend alternative will be available.

Share Buyback Programme

In January 2009, the Company commenced a share buyback programme. During 2009, a total of 4.8 million shares were purchased at a cost of £3.2 million. Of these shares, 1.0 million have been transferred to the Huntsworth Employee Benefit Trust and the balance are held in treasury.

Balance Sheet and Cash flow

Our continued focus on the strength of our balance sheet has ensured that the Group remains in a strong financial position and our businesses continue to generate good operating cash flows. The focus on working capital management resulted in debtors days reducing from 53 to 39 days at 31 December 2009.

Net debt at 31 December 2009 was £49.0 million (2008: £33.5 million), well within the Group's £90 million debt facilities.

Operating cash flow was £28.5 million and cash conversion was strong at 123%. This is before a £10.5 million 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 £5.7 million, dividends received from associates of £3.5 million, acquisitions and earn out payments (including debt acquired) of £18.5 million, dividends of £4.6 million and purchase of shares for employee incentives and the share buyback programme of £4.7 million.

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 £82.5 million until September 2012 as our term loan is repaid. Net debt to continuing EBITDA was at a ratio of 1.3 times at 31 December 2009 and interest cover (excluding highlighted items and imputed interest) was 21 times (2008: 6.7 times). During the year the Group agreed an extension to September 2012 of its banking arrangements together with other amendments which give the Group enhanced flexibility and greater certainty of pricing. This extension provides for an effective 6 month extension to Huntsworth's previous refinancing date with no changes to covenants. The margin on this facility remains very favourable in relation to the market but its improved terms come at a small additional cost.

Earn-out Payments

Future earn-out payments as at 31 December 2009 are estimated at £32.2 million, all of which can be paid in cash. The timing of these payments is £6.9 million in 2010, £15.4 million in 2011 and £9.9 million in 2012 and following years.

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 Editors:

1. Huntsworth PLC is an international public relations group with 74 principal offices in 31 countries. During 2009 the Group worked for over 2,650 clients and provided services to 48 companies in the FTSE 100, 108 in the Fortune 500, 112 in the Eurotop 300 and 40 of the world's 50 largest healthcare companies.

2. The Group comprises some of the world's leading public relations agencies including Grayling, Citigate, Red and Huntsworth Health. At 31 December 2009 the Group employed c.1,690 staff with an average fee income per head of £96,000.

3. Group revenue comprises the following key areas of activity: Corporate Communications and Public Affairs accounts for 29%; Consumer and B2B work accounts for 22% of Group revenue; Financial Non deal led public relations work is 14%; Financial deal led public relations is 2%; Huntsworth Health is 30% and other activities are 3%.

4. By industry sector the revenue profile is broadly 30% Pharmaceuticals, 14% Financial Services, 8% Information Technology, 7% Government & Public Sector, 6% Food & Drink, 6% Retail & Leisure and 5% Industrial.

5. Geographically, 43% of Group revenue was from the UK, 27% from the US, 25% from European countries and 5% from the Rest of the World. Operating margins for the twelve months to 31 December 2009 were 21.6% in the UK, 18.0% in Europe, 18.0% in the US and 35.2% in the Rest of the World.

6. The Group now represents over 150 network clients, of which the top 2 are global in nature with annual revenues exceeding £3 million. The remaining network clients represent 33% of revenue. The top 19 clients each generate in excess of £1 million of annual revenue.

7. The largest client represents 1.4% of revenue with the top 10 clients accounting for 8.2% and the top 25, 15.1%.

8. Shareholdings of Directors, employees and employee trusts represent approximately 17% of the Group's issued share capital. Institutional shareholdings hold 79% with the top 10 holding some 64% as of 10 February 2010.

9. For further information on Huntsworth plc, please visit our corporate website at www.huntsworth.com

Consolidated Income Statement
for the year ended 31 December 2009

	Notes	2009 Before highlighted items £000	2009 Highlighted items (Note 5) £000	2009 Total £000	2008 Before highlighted items £000	2008 Highlighted items (Note 5) £000	2008 Total £000
Turnover		**209,033**	**–**	**209,033**	209,870	–	209,870
Revenue	4	**156,319**	**–**	**156,319**	159,132	–	159,132
Operating expenses		**(133,119)**	**(31,109)**	**(164,228)**	(132,814)	(1,501)	(134,315)
Operating profit/(loss)	4	**23,200**	**(31,109)**	**(7,909)**	26,318	(1,501)	24,817
Share of post-tax profit of associates		**2,095**	**(2,095)**	**–**	2,373	(2,373)	–
Profit/(loss) before interest and taxation		**25,295**	**(33,204)**	**(7,909)**	28,691	(3,874)	24,817
Finance income	6	**260**	**–**	**260**	385	–	385
Finance income	6	**(2,190)**	**–**	**(2,190)**	(5,058)	–	(5,058)
Profit/(loss) before tax		**23,365**	**(33,204)**	**(9,839)**	24,018	(3,874)	20,144
Taxation (expense)/credit		**(5,958)**	**7,204**	**1,246**	(6,262)	(3,823)	(10,085)
Profit/(loss) for the year		**17,407**	**(26,000)**	**(8,593)**	17,756	(7,697)	10,059
Attributable to:							
Parent company's equity shareholders		**17,128**	**(25,776)**	**(8,648)**	17,395	(7,618)	9,777
Non-controlling interests		**279**	**(224)**	**55**	361	(79)	282
		17,407	**(26,000)**	**(8,593)**	17,756	(7,697)	10,059

	Notes	2009	2008
Earnings / (loss) per share	8		
Basic – pence		**(4.2)**	4.8
Diluted – pence		**(4.2)**	4.7
Adjusted basic – pence[1]		**8.2**	8.5
Adjusted diluted – pence[1]		**8.0**	8.3

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

Consolidated Statement of Comprehensive Income and Expense

for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
(Loss)/profit for the year		**(8,593)**	10,059
Other comprehensive income and expense			
Movement in valuation of interest rate swaps		**(264)**	(476)
Tax credit on interest rate swaps		**74**	211
Currency translation on disposal of subsidiaries		**–**	760
Currency translation differences		**(11,726)**	33,160
Tax (expense)/credit on currency translation differences		**(136)**	330
Other comprehensive income and expense for the year		**(12,052)**	33,985
Total comprehensive income and expense for the year		**(20,645)**	44,044
Total comprehensive income and expense attributable to:			
– Equity holders of the Company		**(20,700)**	43,762
– Non-controlling interests		**55**	282
		(20,645)	44,044

Consolidated Balance Sheet
as at 31 December 2009

	Notes	2009 £000	2008 £000
Non-current assets			
Intangible assets	9	**287,264**	258,857
Property, plant and equipment		**4,933**	5,605
Investment in associates		**59**	3,802
Other investments		**104**	–
Other receivables		**470**	–
Derivative financial assets		**71**	52
Deferred tax assets		**5,469**	3,844
		298,370	272,160
Current assets			
Work in progress		**1,472**	1,340
Trade and other receivables		**45,929**	45,666
Corporation tax receivable		**917**	1,679
Derivative financial assets		**304**	–
Cash and short-term deposits	10(d)	**9,394**	13,774
		58,016	62,459
Current liabilities			
Bank loans and overdrafts	10(c)	**(3,023)**	–
Obligations under finance leases		**(59)**	(242)
Trade and other payables		**(53,750)**	(51,783)
Derivative financial liabilities		**(92)**	–
Corporation tax payable		**(6,086)**	(5,771)
Provisions		**(10,792)**	(6,750)
		(73,802)	(64,546)
Non-current liabilities			
Bank loans and overdrafts	10(c)	**(54,550)**	(46,172)
Obligations under finance leases		**(88)**	(94)
Trade and other payables		**(417)**	(313)
Derivative financial liabilities		**(990)**	(818)
Deferred tax liabilities		**(4,309)**	(3,879)
Provisions		**(28,092)**	(18,544)
		(88,446)	(69,820)
Net assets		**194,138**	200,253
Equity			
Called up share capital		**106,233**	106,006
Shares to be issued		**6,921**	–
Share premium account		**24,763**	23,760
Merger reserve		**56,506**	51,122
Foreign currency translation reserve		**21,553**	33,279
Hedging reserve		**(1,016)**	(752)
Treasury shares		**(2,654)**	–
Investment in own shares		**(4,446)**	(5,965)
Retained earnings		**(14,752)**	(8,196)
Equity attributable to equity holders of the parent		**193,108**	199,254
Non-controlling interests		**1,030**	999
Total equity		**194,138**	200,253

Consolidated Cash Flow Statement
for the year ended 31 December 2009

	Notes	**2009** £000	2008 £000
Cash inflow from operating activities			
Cash inflow from operations	10(a)	**17,962**	24,471
Interest paid		**(1,689)**	(4,309)
Interest received		**242**	411
Cash flows from hedging activities	10(b)	**(497)**	–
Corporation tax paid		**(2,555)**	(4,323)
Net cash inflow from operating activities		**13,463**	16,250
Cash (outflow)/inflow from investing activities			
Acquisitions of subsidiaries		**(13,561)**	(6,593)
Disposal and liquidation of subsidiaries		**(1,355)**	13,979
Acquisition of non-controlling interest		**(315)**	(2,517)
Cost of internally developed intangible assets		**(186)**	(240)
Purchase of fixed assets investments		**(104)**	–
Purchases of property, plant and equipment		**(1,697)**	(1,628)
Proceeds from sale of property, plant and equipment		**46**	56
Proceeds from sale of associates		**–**	231
Dividends received from associates		**3,470**	2,114
Net cash acquired with subsidiaries		**1,907**	–
Net (cash)/overdraft disposed of with subsidiaries		**(47)**	154
Net cash (outflow)/inflow from investing activities		**(11,842)**	5,556
Cash outflow from financing activities			
Proceeds from the issue of ordinary shares		**–**	20
Repayment of loan notes issued as acquisition consideration		**–**	(1,137)
Purchase of own shares - investment in own shares		**(1,499)**	(216)
Purchase of own shares - treasury shares		**(3,168)**	–
Repayment of finance lease liabilities	10(b)	**(151)**	(249)
Net drawdown/(repayment) of borrowings		**4,654**	(13,055)
Dividends paid to non-controlling interests		**(20)**	(14)
Dividends paid to shareholder of acquired business		**–**	(321)
Dividends paid to equity holders of the parent		**(4,579)**	(4,708)
Net cash outflow from financing activities		**(4,763)**	(19,680)
(Decrease)/increase in cash and cash equivalents		**(3,142)**	2,126
Movements in cash and cash equivalents			
(Decrease)/increase in cash and cash equivalents	10(c)	**(3,142)**	2,126
Effects of exchange rate fluctuations on cash held	10(c)	**(1,261)**	4,786
Cash and cash equivalents at 1 January	10(c)	**13,774**	6,862
Cash and cash equivalents at 31 December	10(c), (d)	**9,371**	13,774

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	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 £000
Balance at 1 January 2008	105,000	–	23,620	50,866	(641)	(276)	–	(5,427)	(14,664)	158,478	1,960	160,438
Total comprehensive income for the period	–	–	–	–	33,920	(476)	–	–	10,318	43,762	282	44,044
Shares issued for cash	17	–	3	–	–	–	–	–	–	20	–	20
Acquisitions of subsidiaries	559	–	–	256	–	–	–	–	–	815	(1,155)	(340)
Purchase of own shares	–	–	–	–	–	–	–	(538)	–	(538)	–	(538)
Share issue costs	–	–	(13)	–	–	–	–	–	–	(13)	–	(13)
Credit for share-based payments	–	–	–	–	–	–	–	–	1,438	1,438	–	1,438
Tax on net revaluation on share based remuneration	–	–	–	–	–	–	–	–	(78)	(78)	–	(78)
Scrip dividend	430	–	150	–	–	–	–	–	–	580	–	580
Equity dividends	–	–	–	–	–	–	–	–	(5,284)	(5,284)	–	(5,284)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(14)	(14)
Transfers	–	–	–	–	–	–	–	–	74	74	(74)	–
Balance at 31 December 2008	106,006	–	23,760	51,122	33,279	(752)	–	(5,965)	(8,196)	199,254	999	200,253
Total comprehensive income for the period	–	–	–	–	(11,726)	(264)	–	–	(8,710)	(20,700)	55	(20,645)
Acquisitions of minority interests	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Acquisitions of subsidiaries	210	6,921	–	13,241	–	–	–	–	–	20,372	–	20,372
Purchase of own shares	–	–	–	–	–	–	(3,168)	(1,177)	–	(4,345)	–	(4,345)
Settlement of share options	–	–	–	–	–	–	–	3,210	(2,621)	589	–	589
Share issue costs	–	–	(9)	(10)	–	–	–	–	–	(19)	–	(19)
Credit for share-based payments	–	–	–	–	–	–	–	–	2,536	2,536	–	2,536
Scrip dividend	17	–	1,012	–	–	–	–	–	–	1,029	–	1,029
Equity dividends	–	–	–	–	–	–	–	–	(5,608)	(5,608)	–	(5,608)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(20)	(20)
Transfers	–	–	–	(7,847)	–	–	514	(514)	7,847	–	–	–
Balance at 31 December 2009	106,233	6,921	24,763	56,506	21,553	(1,016)	(2,654)	(4,446)	(14,752)	193,108	1,030	194,138

Notes to the Preliminary Consolidated Financial Statements
for the year ended 31 December 2009

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 2006. On 23 February 2010 the consolidated financial statements of the Group and this preliminary announcement 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 end 31 December 2008 have been filed with the Registrar of Companies. The auditors' reports on the financial statements for the years ended 31 December 2009 and 2008 are unqualified and do not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The annual financial information presented in this preliminary announcement for the year ended 31 December 2009 is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2009. This preliminary announcement does not constitute statutory accounts of the Group within the meaning of Section 235 of the Companies Act 2006.

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 47 of the 2008 Annual Report and Accounts.

3. Acquisitions and disposals
i) Acquisitions

(a) Momentum
On 16 February 2009, the Group purchased 100% of the issued share capital of Momentum International Limited ('Momentum') for initial cash consideration of US$2.8 million (£2.0 million). Deferred consideration is payable dependent on the future financial performance of Momentum and will be payable in cash or cash and shares at Huntsworth's discretion. The maximum total consideration payable is US$12.0 million. £3.3 million of goodwill and net assets of £0.8 million have been provisionally recognised at fair value on acquisition.

(b) Tonic Life Communications
On 10 July 2009, the Group acquired the entire share capital of Tonic Life Communications Limited, a company incorporated in the UK, and its US-based subsidiaries (together "Tonic") for initial cash consideration of £3.0 million. Additional consideration is payable dependent on the future performance of Tonic for the four years to 30 June 2013 and will be paid in cash or a combination of cash and shares at Huntsworth's discretion. The maximum total consideration payable is £12.5 million. £5.8 million of goodwill and net assets of £1.1 million have been provisionally recognised at fair value on acquisition.

(c) Sund Kommunikation
On 19 August 2009, the Group acquired the entire share capital of Sund Kommunikation i Malmö AB ("Sund"), a leading public relations company operating in Sweden, for initial consideration of SEK18 million (£1.6 million), of which SEK 11 million (£1.0 million) was payable immediately and SEK 7 million (£0.6million) was deferred until 2010. Additional cash consideration may be payable, with an interim payment based on the profits for the twelve months to 30 June 2010 and a final payment based on the profits for the three years to 31 December 2012. The maximum total consideration payable is SEK145 million. £6.6 million of goodwill and net liabilities of £0.1 million have been provisionally recognised at fair value on acquisition.

(d) Dutko Worldwide Holdings Inc
On 1 December 2009, the Group acquired the entire share capital of Dutko Worldwide Holdings Inc ("Dutko"). The initial consideration was settled by the issue of 21.0 million shares. An additional 10.8 million shares are issuable on 6 December 2010. Additional cash consideration is payable based on profits in the period to 31 December 2012, with a maximum additional consideration payable of $10 million. £27.3 million of goodwill and net liabilities of £1.4 million have been provisionally recognised at fair value on acquisition.

(e) Other acquisitions
During 2009, the Group acquired a number of other businesses and non-controlling interests. These acquisitions are not considered individually material. Total initial consideration to acquire these businesses was £1.7 million and deferred contingent consideration of £0.9m has been recognised on acquisition. £2.2 million of goodwill and net assets of £0.5 million have been provisionally recognised at fair value on acquisition in relation to these other acquisitions.

3. Acquisitions and disposals
ii) Disposals and liquidations

On 1 December 2009, the Group's Italian operations ceased trading and entered a voluntary liquidation process. This process had not completed by the 31 December 2009. The costs (£1.7 million) and associated asset write-downs (£5.8 million) resulting from the cessation of trade and the liquidation process have been charged to the income statement as a highlighted item in 2009. £1.4 million of the costs were paid in 2009. As at 31 December 2009 there were current assets of £0.4 million (trade and other receivables) and current liabilities of £1.2 million (trade and other payables) on the Group's balance sheet in relation to the Italian operations.

On 15 December 2009, the Group disposed of the final 49% shareholding in Citigate Sard Verbinnen ("CSV") under the sale agreement previously announced on 15 February 2006. There was no gain or loss on the disposal of the 49% shareholding.

4. Segmental analysis

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

	Public Relations	Huntsworth Health	Unallocated	**Total**
Year ended 31 December 2009	£000	£000	£000	**£000**
Revenue				
Total revenue	**110,529**	**45,790**	**—**	**156,319**
Intra-group eliminations	**111**	**—**	**(111)**	**—**
Segment revenue	**110,640**	**45,790**	**(111)**	**156,319**
Segment operating profit before highlighted items	**22,240**	**9,581**		**31,821**

	Public Relations	Huntsworth Health	Unallocated	Total
Year ended 31 December 2008	£000	£000	£000	£000
Revenue				
Total revenue	118,039	41,093	—	159,132
Intra-group eliminations	214	—	(214)	—
Segment revenue	118,253	41,093	(214)	159,132
Segment operating profit before highlighted items	24,779	8,687		33,466

4. Segmental analysis (continued)

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

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Segment operating profit before highlighted items	**31,821**	33,466
Unallocated costs	**(8,621)**	(7,148)
Operating profit before highlighted items	**23,200**	26,318
Highlighted items	**(31,109)**	(1,501)
Operating (loss)/ profit	**(7,909)**	24,817
Share of profit of associates	**2,095**	2,373
Highlighted items – impairment of investment in associates	**(2,095)**	(2,373)
Net finance costs	**(1,930)**	(4,673)
(Loss)/profit before tax	**(9,839)**	20,144

Unallocated expenses comprise central head office costs.

The table below presents revenue and operating profit before highlighted items by geographical origin:

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Revenue		
United Kingdom	**66,823**	70,861
Other European	**38,718**	42,033
USA	**43,584**	40,592
Rest of World	**7,305**	5,860
Eliminations	**(111)**	(214)
Total	**156,319**	159,132
Operating profit before highlighted items		
United Kingdom	**14,426**	16,554
Other European	**6,966**	7,722
USA	**7,859**	7,616
Rest of World	**2,570**	1,574
Unallocated expenses	**(8,621)**	(7,148)
Total	**23,200**	26,318

5. Highlighted items

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

	2009 £000	2008 £000
Charged to operating profit		
Amortisation of intangible assets	**4,770**	5,026
Impairment of intangible assets	**9,141**	–
Loss/(profit) on disposal and liquidation of subsidiaries	**7,527**	(4,147)
Acquisition payments to employees deemed as remuneration	**827**	616
Net brand rationalisation and other non-recurring costs	**8,844**	6
	31,109	1,501
Charged to profit before tax		
Impairment of investment in associates	**2,095**	2,373
	33,204	3,874

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.

Impairment of intangible assets
The impairment of intangible assets comprises £9.1 million relating to brands. As a result of the brand rationalisation initiative, brands which are no longer used have been impaired to nil carrying value.

(Loss)/profit on disposal and liquidation of subsidiaries
The loss in the year principally relates to the liquidation of the Group's operations in Italy and comprises £5.8 million of goodwill and other asset impairments and £1.7 million of cash cost. The profit in 2008 principally arose from the sale of the CapitalBridge business (£2.2 million) and the release of provisions for indemnities and accruals on previous disposals that are no longer required (£1.8 million).

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 ceased once the relevant earn-out was settled during 2009. Up until the relevant earn out was settled, the related assets and liabilities were held in a separately managed fund within the Group.

Net brand rationalisation and other non-recurring costs
As a result of the strategic rebranding initiative, costs of £8.8 million were incurred in 2009. This charge includes £1.3 million of rebranding, £6.0 million severance costs and £1.5 million of property costs relating to restructuring of teams and offices to align to the new structure. 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).

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% was acquired on 15 December 2009 for a fixed amount.

Following the sale of the initial 51% interest in the Company was accounted for as an associated undertaking from 1 January 2007 until the remaining 49% was disposed of following receipt of the final payment on 15 December 2009. Consequently all profits recognised subsequently are matched by an equal and opposite impairment of the Group's investment in the entity. There was no further gain or loss resulting from the final disposal of the remaining 49%.

6. Finance costs and income

	2009 £000	2008 £000
Bank interest payable	**1,768**	4,241
Loan note interest	**–**	5
Finance lease interest	**26**	37
Financial instruments	**–**	32
Imputed interest on property provisions	**64**	202
Imputed interest on deferred consideration	**332**	541
Finance costs	**2,190**	5,058
Bank interest receivable	**(73)**	(132)
Other interest receivable	**(169)**	(253)
Financial instruments	**(18)**	–
Finance income	**(260)**	(385)
Net interest payable	**1,930**	4,673

7. Dividends

	2009 £000	2008 £000
Equity dividends on ordinary shares:		
Final dividend for the year ended 2008 – 2.0 pence (2007 – 1.85 pence)	**4,081**	3,825
Interim dividend for the year ended 2009 – 0.75 pence (2008 – 0.7 pence)	**1,527**	1,459
	5,608	5,284

Shareholdings under the Group's Employee Benefit Trust of 7,243,586 and 6,278,726 shares waived their rights to the 2008 final and 2009 interim dividends respectively (2008: 3,279,805 and 3,673,651 respectively).

A final dividend of 2.15 pence per share has been proposed for approval at the Annual General Meeting in 2010 and has not been recognised as a liability at 31 December 2009.

8. Earnings per share

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

	2009		2008	
	(Loss)/**earnings** **£000**	**Weighted average number of shares 000's**	Earnings £000	Weighted average number of shares 000's
Basic	**(8,648)**	208,335	**9,777**	**205,034**
Diluted	**(8,648)**	208,335*	**9,777**	**208,613**
Adjusted basic	**17,128**	208,335	**17,395**	**205,034**
Adjusted diluted	**17,128**	214,821	**17,395**	**208,613**

*Because basic EPS results in a loss per share the diluted EPS is calculated using the undiluted weighted average number of shares.

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

Diluted (loss)/earnings per share is calculated based on the (loss)/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 (loss)/profit attributable to parent company shareholders excluding highlighted items together with related tax effects as set out below:

	2009 £000	2008 £000
Earnings:		
(Loss)/profit for the year attributable to parent company's shareholders	**(8,648)**	9,777
Highlighted items (net of tax) attributable to the parent company's shareholders	**25,776**	7,618
Adjusted earnings	**17,128**	17,395

	2009 000's	2008 000's
Number of shares:		
Weighted average number of ordinary shares – basic and adjusted	**208,335**	205,034
Effect of share options in issue	**6,486**	3,579
Weighted average number of ordinary shares – diluted	**214,821**	208,613

9. Intangible assets

	Brands £000	Customer relationships £000	Goodwill £000	Software development costs £000	Total £000
Cost					
At 1 January 2009	25,216	20,314	250,850	265	296,645
Arising on acquisitions in the year	1,187	7,983	45,130	–	54,300
Adjustment to prior year acquisitions	–	–	4,134	–	4,134
Capitalised development costs	–	–	–	186	186
Exchange differences	(1,329)	(972)	(10,685)	(19)	(13,005)
At 31 December 2009	**25,074**	**27,325**	**289,429**	**432**	**342,260**
Amortisation and impairment charges					
At 1 January 2009	7,403	16,288	14,074	23	37,788
Charge for the year	1,197	3,573	–	109	4,879
Impairment	9,141	–	5,347	–	14,488
Exchange differences	(344)	(842)	(968)	(5)	(2,159)
At 31 December 2009	**17,397**	**19,019**	**18,453**	**127**	**54,996**
Net book value at 31 December 2009	**7,677**	**8,306**	**270,976**	**305**	**287,264**
Net book value at 31 December 2008	17,813	4,026	236,776	242	258,857

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(i).

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

	2009 £000	2008 £000
Operating (loss)/profit	**(7,909)**	24,817
Depreciation	**2,547**	2,467
Share option charge	**2,005**	1,335
(Profit)/loss on disposal of property, plant and equipment	**(34)**	19
Amortisation of intangible assets	**4,879**	5,047
Impairment of intangible assets	**9,141**	–
Loss/(profit) on disposal and liquidation of subsidiaries	**7,527**	(4,147)
Increase in work in progress	**(184)**	(195)
Decrease in debtors	**818**	8,774
Increase/(decrease) in creditors	**179**	(10,627)
Decrease in provisions	**(1,007)**	(3,019)
Net cash inflow from operations	**17,962**	24,471

Net cash inflow from operations is analysed as follows:

	2009 £000	2008 £000
Before highlighted items	**28,450**	28,824
Highlighted items	**(10,488)**	(4,353)
Net cash inflow from operations	**17,962**	24,471

10. Cash flow analysis (continued)

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

	Note	2009 £000	2008 £000
(Decrease)/increase in cash and cash equivalents in the year		**(3,142)**	2,126
Cash (inflow)/outflow from movements in debt		**(4,654)**	13,055
Bank loans acquired		**(6,558)**	–
New derivative financial instruments		**497**	–
Loan notes repaid		**–**	1,137
Repayment of capital element of finance leases		**151**	249
Change in net debt resulting from cash flows		**(13,706)**	16,567
Amortisation of loan fees		**(81)**	(101)
Movement in fair value of derivative financial instruments		**(438)**	(512)
Disposals/cancellations of finance leases		**9**	–
Translation differences	10(c)	**(1,317)**	4,683
(Increase)/decrease in net debt		**(15,533)**	20,637
Net debt at beginning of year		**(33,500)**	(54,137)
Net debt at end of year		**(49,033)**	(33,500)

(c) Analysis of net debt

	1 January 2009 £000	Cash flow £000	Non-cash movements £000	Foreign exchange £000	**31 December 2009 £000**
Cash and short-term deposits	13,774	(3,118)	–	(1,262)	**9,394**
Overdrafts (current)	–	(24)	–	1	**(23)**
Net cash and cash equivalents	13,774	(3,142)	–	(1,261)	**9,371**
Bank loans (current)	–	–	(3,000)	–	**(3,000)**
Bank loans and overdrafts (non-current)	(46,172)	(11,212)	2,919	(85)	**(54,550)**
Derivative financial assets	52	497	(174)	–	**375**
Derivative financial liabilities	(818)	–	(264)	–	**(1,082)**
Obligations under finance leases	(336)	151	9	29	**(147)**
Net debt	(33,500)	(13,706)	(510)	(1,317)	**(49,033)**

(d) Cash and cash equivalents

	2009 £000	2008 £000
Cash and short-term deposits	**9,394**	13,774
Bank loans and overdrafts (current)	**(23)**	–
Cash and cash equivalents	**9,371**	13,774

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; fluctuation of revenues, expenses and operating results; currency rate risk; and exposure to a downturn in the public relations industry.

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 £190,000 and £64,000 respectively (2008: £257,000 and £42,000). At 31 December 2009, there were no trading balances with associates (2008: £71,000 due from associates).

14. Directors responsibility statement

The Annual Report and Accounts comply with the Disclosure and Transparency Rules of the Untied 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 positions and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and Accounts include a fair review of the development and performance of the business and the positions of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Peter Chadlington
Group Chief Executive

Tymon Broadhead
Group Finance Director